MINDS
MATTER

TrizecHahn Corporation Annual Report 1999

Mind Over Matter

Mind, not matter, is the most significant asset in business – the limitless value of intellectual capital, entrepreneurial leadership, measured value creation.

TrizecHahn is a corporation that depends on its people, the accomplished North American and European teams that *create, enhance and capture* value. Developing and implementing this singular strategy is the foundation of our Company. TrizecHahn's objective remains to create intrinsic value by seizing opportunities that deliver attractive returns to shareholders.

Leveraging experience. Unique business ventures. Opportunism.

Minds matter.

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Highlights

Increased cash flow by 23% and experienced 15th consecutive quarter of cash flow growth averaging 31% year-over-year ■ Experienced an average uplift of approximately $1.50 per square foot in net rental rates on re-leasing of office space, a 14% increase over average in-place rents ■ Increased presence in Europe with the opening of Westend City Center, the Company's first major European project, in Budapest, Hungary, and four additional retail/entertainment centers in Greece, Spain, Italy and the Czech Republic (totaling approximately 2 million square feet) ■ Created the new TrizecHahn technology investment team, and signed agreements with five national integrated communications firms to provide tenants with leading-edge technologies such as fiber-optic, Internet, data, video and voice communications networks.

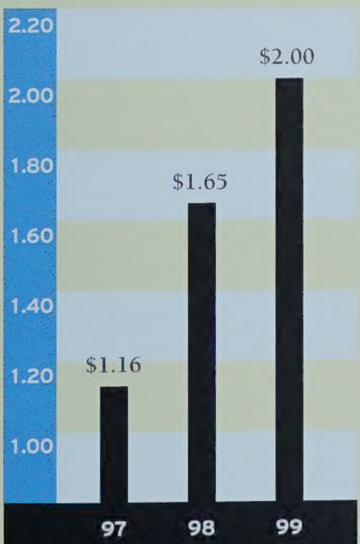
TrizecHahn is an entrepreneurial company that identifies and executes compelling investment opportunities – leveraging experience and expertise to deliver value to shareholders. TrizecHahn's shares trade on the New York and Toronto stock exchanges under the symbol TZH.

Financial Highlights

All dollar amounts shown in this report are in U.S. dollars unless otherwise noted.
(U.S.$ millions, except per share amounts)

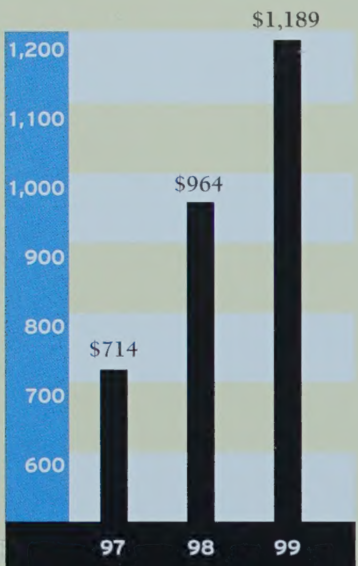
	1997	1998	**1999**	Change 1998 to 1999
Rental Revenue	$ 714	$ 964	**$ 1,189**	+23%
Rental Income	396	542	**653**	+20%
Cash Flow from Real Estate Operations	176	269	**331**	+23%
Per share, fully diluted	1.16	1.65	**2.00**	+21%
Net Income (before non-recurring items)	68	118	**155**	+31%
Per share, fully diluted	.46	.74	**.95**	+28%
Real Estate Assets	$ 5,130	$ 6,695	**$ 7,911**	+18%
Total Market Capitalization	6,572	7,118	**7,175**	+0.8%

Despite significant increases in Rental Revenue, Rental Income and Cash Flow from Operations (FFO), stock performance was weak – a reflection of the capital markets' view of traditional real estate ownership.



Cash Flow from Real Estate Operations per share
Fully diluted (U.S.$)

Cash Flow from Real Estate Operations
(U.S.$ millions)



Rental Revenue
(U.S.$ millions)

HISTORYHISTORYHISTORY

At TrizecHahn, ***history repeats itself*** – not by chance, but by design. The operating and capital strategies that mandate opportunism, flexibility, prudence and discipline are re-applied, venture by venture, in North America and in the new Europe – from inception to tomorrow.

Dear Shareholders,

PETER MUNK
Chairman and Chief Executive Officer

GREGORY C. WILKINS
President and Chief Operating Officer

Disappointing. That is the only way to describe the stock market's reaction to our strong performance last year. In 1999, our rental revenues exceeded $1 billion, and our growth in cash flow was just as impressive: funds from operations (FFO) grew by 23% over 1998, to $331 million. FFO per share was up 21%, to $2.00.

TrizecHahn has increased FFO per share, year-over-year, for 15 straight quarters, by an average of 31%. We have consistently outperformed our peers. Our results have been outstanding.

Looking ahead, we remain optimistic. The real estate business is good. Thanks to the extraordinary strength of the North American economy, companies need more office space than ever. Overbuilding is not a problem. Consequently, TrizecHahn expects cash flow to remain strong as we increase occupancy rates, raise rents, sell non-strategic buildings and open new properties.

Unfortunately, our exceptional results were not reflected in our share price. In pursuit of the next hot Internet stock, investors, it seems, ignored our fundamentals. We continue to believe that TrizecHahn's intrinsic value will be recognized by a rational market. But, we also acknowledge that the real estate business is maturing and that growth rates, while still high, are slowing. Traditional approaches to real estate ownership may no longer be the best way to deliver the returns our shareholders expect.

We know that technology is changing the world – and creating new opportunities for real estate operators. And so, we find ourselves in a transitional phase, moving in a new direction to take advantage of the New Economy. That is why the theme of our report this year is Minds Matter, reflecting our belief that it is our intellectual capital that will propel us in our new direction.

Change does not frighten us – we've been through it before. We have a long history of creating value through entrepreneurial ventures. We have proven that, with the right vision, and a willingness to venture beyond conventional thinking, we can create enormous wealth. Yet we are not gamblers. We know the difference between gambling and prudent business investments. Whether in the gold, refining, or real estate business, we have always been disciplined with our capital. Also, no matter what the business, our guiding motto has always been: "Create. Enhance. Sell."

Consider: In the period of just over a decade since we formed The Horsham Corporation (later TrizecHahn) as a public vehicle, our assets have grown from $100 million to $8.5 billion, and our shareholders' equity has increased 25-fold.

When we first invested in Trizec Corporation in 1994, commercial real estate was undervalued and underappreciated. With no previous experience in real estate, we brought in top-flight management. We restructured and turned around the Company. In 1998, we sold our North American shopping malls for a $500 million profit, re-investing that money in a higher-yielding office portfolio.

Then, before it was fashionable to do so, we moved into Europe. Now TrizecHahn is a significant player in the European property market, with 2.7 million square feet that span the continent. Here again, taking advantage of the expanding European markets, we intend to deliver value to our shareholders.

Our latest initiatives to create value are technology related. In 1999, we partnered with five nimble high-tech companies that specialize in delivering high-speed Internet access and leading-edge telecommunications services to our office tenants. By offering our tenants the most up-to-date telecommunications services, we have made our buildings more attractive. These partnerships have also brought a new stream of revenue to TrizecHahn, while offering upside potential on our equity stakes in these companies. A win-win strategy.

High-speed Internet access is just one area where the old economy (real estate) meets the New Economy. This year, with a new technology team in place at TrizecHahn, we are committed to creating value through other opportunities made possible by the cyber revolution. We believe that our "bricks and mortar" provide opportunities for e-tailers who understand the importance of the "bricks

and clicks" model. We plan to take advantage of the fact that our corporate tenants, concentrated in upscale city centers, are an ideal purchasing group for any e-company, whether in the business-to-business or business-to-consumer arena.

Our goal for 2000? Quite simple. To once again reposition our Company to adjust to changes in the real estate environment and the New Economy. As always, we will follow our motto: "Create. Enhance. Sell." That's a promise.

We would like to thank all our employees – the source of our intellectual capital – for their continued hard work and dedication. As well, we thank our shareholders for their support.

PETER MUNK
Chairman and Chief Executive Officer
March 2, 2000

GREGORY C. WILKINS
President and Chief Operating Officer
March 2, 2000

Value Creation

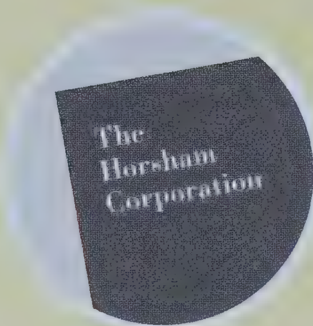
TrizecHahn has a history of turning macro events into business opportunities by applying a strategy that stands the test of time: create, enhance and sell. Unique events and climates – economic, social and political – have been catalysts for the creation of great wealth and bold undertakings in North American real estate development, European expansion and more recently e-commerce initiatives ■ This history of opportunism repeats itself; in fact, TrizecHahn was born out of a commitment to value creation that Peter Munk began with his first business ventures ■ He and his management teams have achieved significant success through a disciplined approach to business ■ From gold mines to world-class office towers, what has mattered most over time is utilizing human capital, the immeasurable benefit of experience and expertise, and always with a commitment to deliver value to shareholders – a commitment as true today as when we began.

History of Value Creation

Our track record of value creation precedes our involvement in the real estate sector. In fa
be traced to the earliest business ventures of Peter Munk, Greg Wilkins and the other
This is a collective history – a history of creativity, vision, flexibility, prudence and ca

Horsham Securities Limited Creates Barrick

Horsham's founders take advantage of a unique geopolitical opportunity – and capture the attention of investors concerned about the safety and stability of gold mining locations. While Barrick Gold Corporation has a financially conservative management mandate, it employs an aggressive operating and acquisitions policy. Barrick becomes the highest-valued gold producer, with a market capitalization in excess of $10 billion.



Horhsam Corporation Goes Public...

As a vehicle for expansion and diversification, Horsham Corporation is established as a public entity. The Company consolidates the controlling shares of Barrick Gold and acquires a controlling interest in Clark Refining & Marketing, Inc.

Capitalizing on German Reunification

Soon after the fall of the Berlin Wall, German reunification begins. Horsham purchases an agricultural land site of approximately 600 acres located just outside Berlin – to become Brandenburg Park, one of the country's most prominent business parks.

Horsham Invests in Trizec

In late 1993, Horsham monetizes a portion of its investment in Barrick Gold for $600 million. Horsham subsequently purchases 48% of Trizec Corporation Ltd., recognizing its potential to become a preeminent real estate company. In 1995, Trizec disposes of several non-core assets and completes $500 million in acquisitions and new developments. Concurrently, Horsham reduces its ownership in Clark by bringing in major industry shareholders to accelerate its growth.

1983 | 1987 | 1991 | 1994

FIRST CD LAUNCHED

FIRST U.S. SPACE WALK IN NINE YEARS

SPAIN AND PORTUGAL JOIN EEC

STOCK MARKET CRASH "BLACK MONDAY"

GERMAN REUNIFICATION

TEXT-BASED WEB BROWSER PUBLICLY AVAILABLE

SINGLE EUROPEAN MARKET BEGINS

APPROX. 25 MILLION INTERNET USERS

NETSCAPE GOES

ct, it predates the chronology below. In part, our "create, enhance and sell" mandate can

entrepreneurs who continue to bring their success stories to TrizecHahn Corporation.

lculated risk taking... a history that repeats itself.

rizecHahn Established... and JV in Europe

orsham acquires the remaining 2% of Trizec and re-names the merged company TrizecHahn Corporation. TrizecHahn mone-zes an additional portion of its investment in Barrick Gold. In this same year, TrizecHahn orms TriGránit Development, a joint venture to develop real estate projects in Central Europe, which culminates in the opening of the region's largest mixed-use project in Budapest, Hungary in 1999, 100% leased.

1996

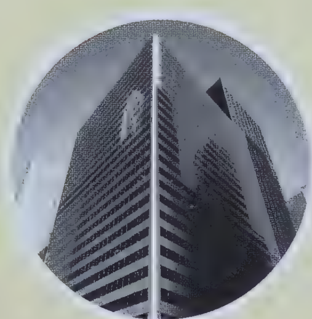
Positioned for North American Real Estate Recovery

TrizecHahn acquires $1 billion in high-quality office properties (Grace Building, 1065 Avenue of the Americas, Allen Center) and announces more than $600 million in new retail/entertainment development projects (Hollywood & Highland, CN Tower, Desert Passage at Aladdin). It sells its investment in Clark USA for a return of 170%.

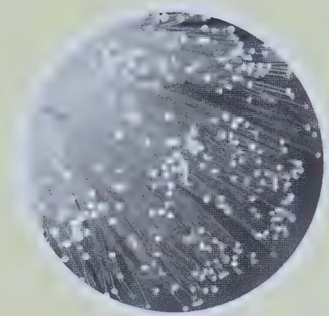
1997

Create, Enhance and Sell

TrizecHahn sells its remaining shares in Barrick Gold. In total, TrizecHahn has realized $1.3 billion or 1,600% on its investment in Barrick since 1987. TrizecHahn sells its retail center portfolio for $2.6 billion (net proceeds of $1.2 billion – an amount greater than that paid for all of Trizec). Acquires 70 higher-yielding office properties for $2.9 billion and increases its commitment to Europe. Cash flow and office rental income increases 53% and 71%, respectively, over 1997.



1998



Opportunities for Growth

To explore ways to enhance value from real estate assets, a new technology team is established. TrizecHahn converts an office property into its first high-tech telecommunications housing facility – one of only four true "carrier hotels" in North America – enhancing its existing inventory of telecommunications-oriented buildings and broadening its service capabilities. Agreements are signed with integrated communications firms to provide tenants with leading-edge technologies.

1999

23,266 MERGERS AND ACQUISITIONS ANNOUNCED WORLDWIDE

DOW JONES INDUSTRIAL AVERAGE PASSES 7,000-POINT MILESTONE

LARGEST U.S. BUDGET SURPLUS IN THREE DECADES

EURO LAUNCHED

THE SURFACE

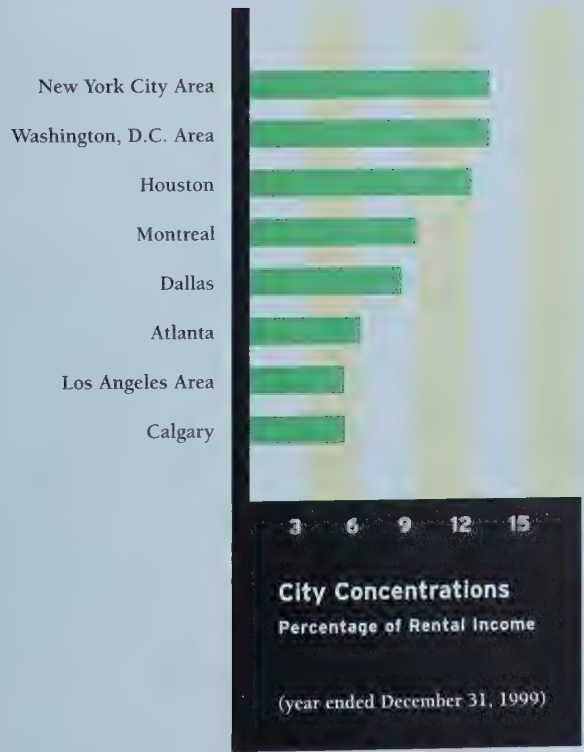
LOOKING

TrizecHahn is ***looking below the surface*** to discover non-traditional ways and means of leveraging our vast experience and expertise in the North American real estate market to create value for shareholders. Below the surface we see the intangible – the potential of our human capital.

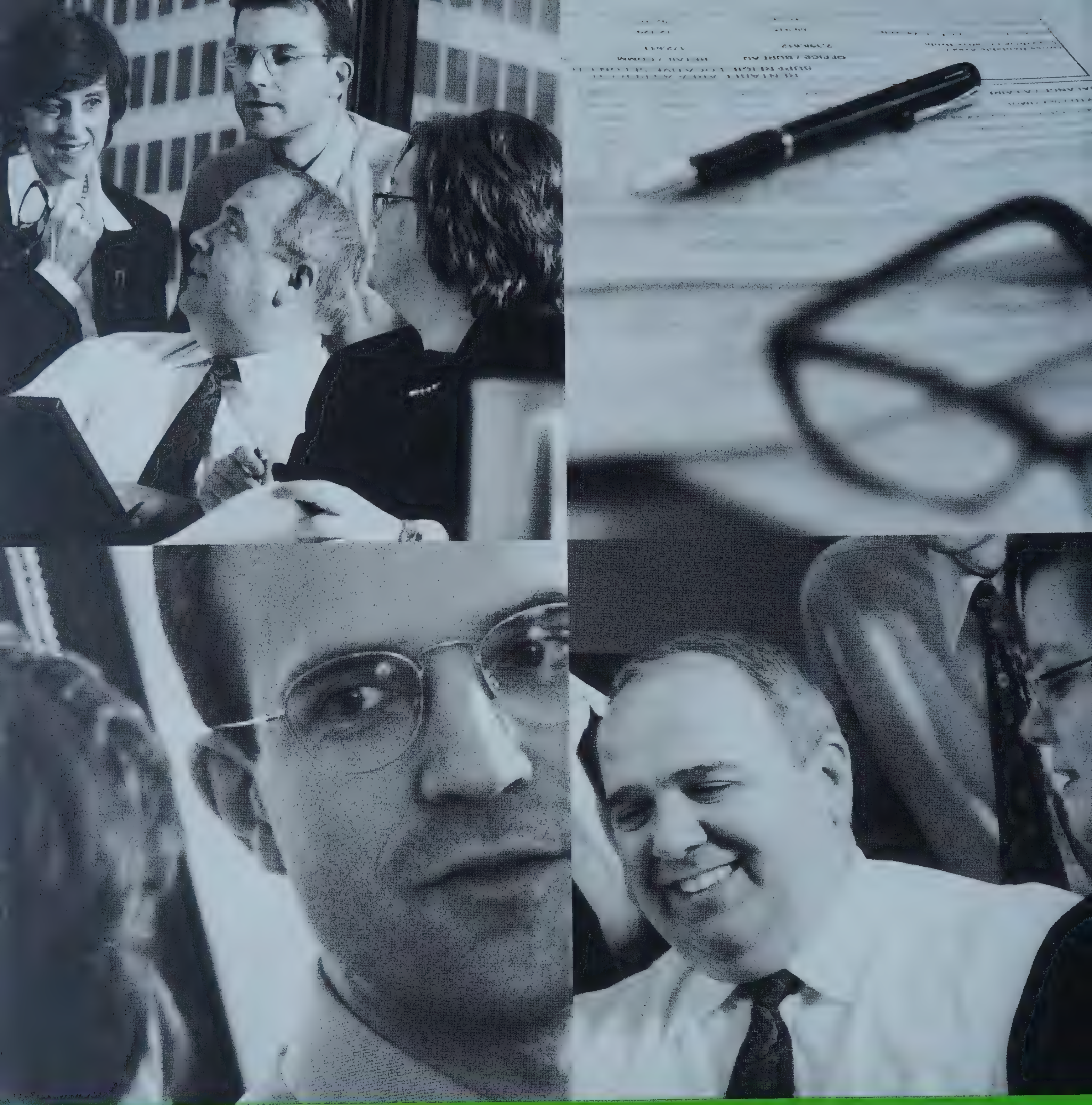
During the past four years, we have assembled one of the most outstanding North American office portfolios, which now comprises 117 properties, totaling 67 million square feet. Our portfolio is diverse in terms of the asset types, geographic distribution and tenant base, which ensures the durability of our cash flow and minimizes our dependence on individual industries and markets.

We took a disciplined approach to our acquisition process, with a focus on our return requirements and future growth potential. Our formula for realizing growth has been based primarily on (i) increasing occupancy, (ii) increasing in-place rents to market levels as leases expire and are renewed and (iii) enhancing our assets through marketing and operating initiatives.

Our 1998 and 1999 acquisitions significantly added to the portfolio, as we redeployed the $1.2 billion of net proceeds from the sale of our retail portfolio into office properties. In early 1999, we completed that reinvestment with three acquisitions, totaling $650 million: Galleria Office Towers, in suburban Dallas; 1250 Connecticut Avenue in downtown Washington, D.C.; and One New York Plaza in downtown Manhattan.



These three properties were consistent with our established acquisition parameters, with an average cost of approximately $160 per square foot, 63% of replacement cost. Likewise, they all had significant potential for growth, either from occupancy gains or below-market rent expiries. Like our other recent acquisitions, these three assets also enhanced



HUMAN CAPITAL

Top photo, left to right: Barbara Burns, Pierre Bélair, Jérôme Dupuis and Andréanne Lavallée.

our portfolio in terms of its strategic positioning in key markets. The addition of the Galleria Office Towers in Dallas, that city's premier suburban location, complements our existing downtown portfolio and enables us to serve a wider variety of tenants in that market. One New York Plaza allows us to offer tenants attractive downtown space in addition to our midtown properties, and 1250 Connecticut Avenue adds a solid asset in the heart of Washington, D.C.

As part of our $5 billion of acquisitions during the past four years, we also obtained 13 million square feet of development potential in key markets across the U.S. This land bank will enable us to capitalize on the opportunity to develop in markets when demand is strong, keeping in mind that the capital markets have imposed strict discipline on developers in recent years. Bankers Hall West Tower, in Calgary, which we began constructing in 1998, when the vacancy rates in Calgary dipped below 4%, was recently completed and is one example of how we can capitalize on our development potential.

This year we also began to develop in the Washington, D.C./Northern Virginia area, where growth has been driven by the many high-technology companies moving there. We started construction on two projects, Reston Crescent and Beaumeade Technology Center, which will be designed and engineered specifically for users requiring technologically advanced facilities.

2 NORTH LASALLE
CHICAGO, IL

During the year, we turned our attention to enhancing our portfolio – looking below the surface for value – both in terms of the revenue we derived from the assets and in terms of their attractiveness and usefulness for current and potential tenants. We further refined our focus on leasing and property management. We also undertook operating initiatives that allowed us to leverage the size of our portfolio, by generating economies of scale through bulk purchasing and portfolio-wide contracts. For the year, rental income from our office portfolio increased by $204 million, or 47%, over 1998.

Our proactive leasing efforts resulted in increased occupancy and rental rates for the portfolio. We leased 8.6 million square feet of office space – contributing to a same-store (properties held at least one year) occupancy increase to 92% and achieving same-store FFO growth of 14%.

We also pursued and successfully executed operating initiatives in parking, specialty leasing and design and construction services. These initiatives generated $12 million of incremental revenue during 1999.

This year, however, we went beyond the traditional boundaries of real estate, as we focused on technology to meet the changing needs of our tenants, while deriving additional value for TrizecHahn.

One exciting initiative this year was bringing the most up-to-date telecommunications services to our buildings. Increased competition among providers in this area created an opportunity for landlords to extract value – at no additional cost. As a number of telecommunications providers emerged to offer their services on a portfolio-wide basis, forming alliances in return for access to large real estate portfolios, TrizecHahn was a major factor in forging those deals.

In 1999, we signed agreements with several leading providers of integrated communications services, including Allied Riser Communications Corporation (ARCC), NetStone Communications, OnSite Access, Broadband Office and Cypress Communications (CYCO). The agreements reached with these providers will benefit our small and medium-sized tenants, in particular, by leveraging our size to make leading-edge technology available at economical prices.

These alliances will enable us to attract and retain tenants by ensuring that our buildings have the most advanced technology available today to conduct business, and will generate additional revenue for TrizecHahn. Our partnership with these telecommunications firms also allows us to participate in the revenues generated in our buildings, as well as the value in their respective companies, through a variety of equity positions.

We elected to make a strategic investment in NetStone and have representation on its board of directors, which indicates our confidence in this company's ability to capitalize on the potential in the growing telecommunications industry, a

market with an estimated value of $40 billion in North America. The nature of this transaction may serve as a model for our future participation in new technology-oriented activities that provide additional services to our tenants, while creating exciting opportunities for investment.

TrizecHahn also entered into an agreement with Elevator News Network (ENN), allowing ENN to introduce popular information screens in elevators in our major Canadian office buildings, and we are negotiating a similar deal with Captivate Network in the United States. This service will deliver valuable up-to-the-minute news and information to tenants through video monitors and will generate additional revenue for TrizecHahn, as we are entitled to a percentage of the advertising revenues earned in our buildings.

In 1999, we continued to advance our two North American retail/entertainment development projects. We experienced very strong tenant demand at both Hollywood & Highland, expected to open in the fall of 2001, and Desert Passage at Aladdin, which will host its grand opening on August 17, 2000.

Hollywood & Highland is not just a development project, but also an urban renewal program like that of New York's 42nd Street. We have been very encouraged to see other investors, with numerous projects on Hollywood Boulevard, participating in the revitalization of the area, which is good not only for our

development project, but also for the city of Los Angeles. At Hollywood & Highland, we have also begun to explore the significant opportunity for signage and sponsorship income. Showcasing a premier theater to house the Academy Awards® ceremonies, exciting new retail concepts and studio venues, world-class television broadcast facilities, along with renowned restaurants, Hollywood & Highland will offer a unique entertainment experience.

As well, leasing is currently in excess of 80% at Desert Passage at Aladdin in Las Vegas. Well-known tenants such as Eddie Bauer, Clinique and North Beach Leather will benefit from our prime location on the Las Vegas strip. Aladdin will feature an extraordinary collection of common-area merchants and vendor markets. These specialty retailers will offer only the highest quality of fashionable and unique specialty products.

OPPORTUNITY

OPPORTUNITY

TrizecHahn is seizing *unparalleled opportunities* in Europe, as the continent continues to regenerate, becoming ripe for the kind of property development we deliver: retail/entertainment centers. Our goal: unparalleled success, as we endeavor to create a leading pan-European portfolio that captures the imagination of communities, joint venture partners and investors.

Two years ago, TrizecHahn recognized that while North American office rents and occupancies were still increasing, the growth profile was slowing. In search of new opportunities, we went beyond traditional real estate ownership and made a decision to increase our focus on the European market, where we believe there are exceptional opportunities for value creation.

We opened an office in London and moved several of our senior executives there. Having sold our North American retail portfolio, we had people with extensive retail operations and development experience who could now help execute our development and acquisition strategy in Europe. They joined an on-site team of local experts, and together with our partners, are building a leading pan-European retail/entertainment company.

Our European plan is consistent with our past efforts. To drive growth, TrizecHahn has always invested with strict discipline, enhanced our assets and then realized value by selling at the right time. We plan to invest up to $500 million of equity in retail/entertainment projects across Europe, of which a significant portion has already been spent or committed.

Our investment is significantly augmented with leverage and third-party investors. We are also supporting this strategy through joint-venture European partnerships. Our partners contribute capital and bring a high level of local expertise; this, in combination with our experience and track record in developing more than 90 retail/entertainment centers in North America, will accelerate the creation of our European portfolio.

We have become a significant contender in the European property market, with a presence in ten countries, and alliances with expanding retail chains who are looking for top-quality developments in order to increase their own market share in the new Europe. We are also exploring investment opportunities that will

LEVERAGING EXPERIENCE

Top photo, left to right: Leroy Brown, Mark Chrisman, Thomas E. Krol and Elizabeth Bunte.

complement our existing portfolio, which totals 2.7 million square feet of space across the continent.

In 1999, we opened five new retail/entertainment centers, including Westend City Center in Budapest, Hungary (our first major European project and one of the largest such projects in Europe) and others in Greece, Spain, Italy and the Czech Republic.

Westend City Center opened 100% leased with 350 of its 400 stores occupied on opening day. Anchor tenants, which include such high-profile brands as Benetton, Marks and Spencer, Giacomelli Sports and Ster-Century Cinema, all reported sales in excess of plan for the grand opening period. In the first three months of operation, Westend City Center had 7 million visitors – approximately 75% of the population of Hungary. As a further endorsement of this project and the investment appeal of our European plan, AIG, the U.S. investment group, became an investor, through one of its funds in the U.K., in TriGránit, the developer and owner of Westend City Center.

During the year, TrizecHahn also secured the rights to develop another marquee retail/entertainment center for the portfolio, in Frankfurt, Germany. This 2.9 million square foot complex will be the key component of a major urban regeneration development project, the largest in Frankfurt. It is to be built on the site of a former freight station and will link the banking, residential and exhibition areas in central Frankfurt.

As in Los Angeles with the Hollywood & Highland project, we are working closely with the city and our partner EIM (a subsidiary of Deutsche Bahn) to enhance Frankfurt's cultural and social scene. The project will capitalize on

Frankfurt's new role as the financial capital of Europe and will create an exciting landmark for the city – with appealing attractions for its visitors, such as theater, cinema, outdoor concert areas, themed dining and shopping.

We believe the current process of consolidation of major retailers throughout Europe creates an opportunity for TrizecHahn to build a pan-European company that develops, owns and manages the new generation of leisure and entertainment-oriented retail properties. This substantial portfolio enhances our position with the increasing number of cross-border retailers fighting for market share, as well as access to cheaper capital, reinforced by economies of scale.

We have made great progress towards our goal of building a leading pan-European property company. Although our North American investors may not yet fully appreciate our European efforts, there is significant demand in the growing European capital markets for such an entity. We intend to prudently pursue this opportunity.

The New Europe

The fall of Communism ■ Increased spending power ■ The formation of a huge, new single European market ■ Monumental changes in political, economic and social climates have paved the way for our own opportunities ■ Across the continent, from capital cities to under-served regional communities, the New Europe offers opportunities for TrizecHahn to leverage its North American expertise in entertainment-oriented retail projects in the real estate market ■ We now have employees in place across a network of offices in Europe – an adept team with retail operations and development experience ■ TrizecHahn is in a position to be a leading pan-European property company – building destinations, generating wealth and creating shareholder value.

A Pan-European Portfolio

Frankfurt UEC

Frankfurt, Germany

expected completion: 2002/2003

TrizecHahn Europe, along with its joint venture partner EIM (Deutsche Bahn), is developing this $800 million, 2.9 million sq. ft. urban entertainment center, which will revitalize Frankfurt's downtown core with its entertainment, shopping, residential and leisure venues.

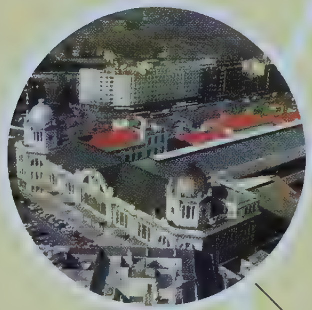
The project will capitalize on Frankfurt's new prominence in Europe, as the location of the new Central Bank and the capital of the new currency (the euro).

P[illegible] Pio

Ma[illegible] pain

exp[illegible] completion: year-end 2001

Al[illegible] h its joint venture partners, Rio[illegible] oup and Renfe (the Spanish Railroad au[illegible]. TrizecHahn is redeveloping a lan[illegible] downtown railroad station into a 34[illegible] sq. ft. retail/entertainment center. Pri[illegible] Pio is strategically located at a metro, rail [illegible] us interchange serving 450,000 co[illegible] s daily.



La Gran Manzana

Madrid, Spain

purchased: December 1999

TrizecHahn Europe acquired this 230,000 sq. ft. retail/entertainment complex in December 1999. The shopping center is part of an overall municipal complex, which also showcases a town hall and theater. The center features an Eroski hypermarket, a seven-screen cinema and a range of retail tenants including The Disney Store and McDonalds.

Bon[illegible] Park

Valenc[illegible] Spain

expect[illegible] completion: year-end 2000

Bonair[illegible] rk is being developed next to the airport in Val[illegible], the third largest city in Spain and an importa[illegible] business, tourist and convention destination. The 1.[illegible] million sq. ft. urban entertainment and retail center [illegible] ll house a wide variety of international retailers

Porto Allegro

Montesilvano (Pescara), Italy

purchased: September 1999

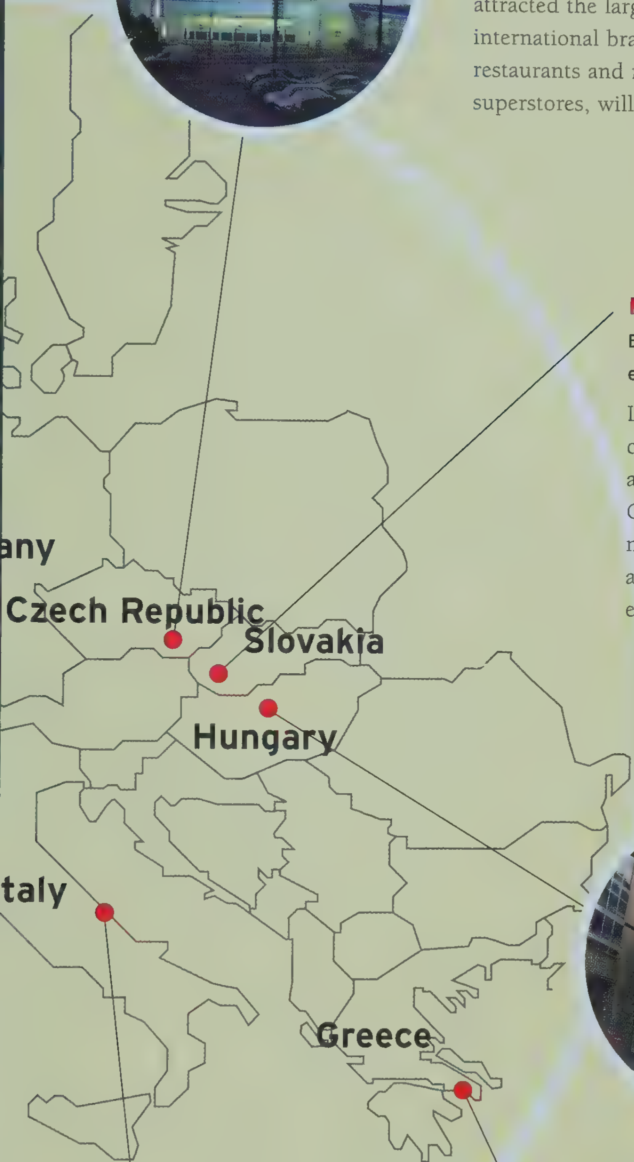
This 130,000 sq. ft. urban entertainment center has 26 specialty shops and restaurants, state-of-the-art, 11-screen cinema and a famil[illegible] entertainment center. The project is 100% lea[illegible] by tenants representing leading international national brands.

Olympia Centrum

Brno, Czech Republic

opened: October 1999

TrizecHahn Europe and its joint venture partners developed this 580,000 sq. ft. retail/entertainment destination, which has successfully attracted the largest retailers in the Czech Republic, together with international brands. In addition to the existing hypermarket, restaurants and retail stores, a third phase, comprising three superstores, will open in 2000.



Pólus Centre

Bratislava, Slovakia

expected completion: year-end 2000

Located in Bratislava, the capital city and center of Slovak business, culture, politics and tourism, the 625,000 sq. ft. Pólus Centre will feature a hypermarket, multiplex cinema, themed restaurants and food court, as well as sporting goods, electronics and fashion retail stores.

Westend City Center

Budapest, Hungary

opened: November 1999

In its first four days of operation, almost 1 million people visited this 930,000 sq. ft. retail/entertainment center in the heart of Budapest. With a Hilton International Hotel and 225,000 sq. ft. of office space yet to open, this successful urban regeneration project is currently one of Central Europe's largest.

Village Entertainment Park

Athens, Greece

opened: December 1999

Greece's first fully integrated retail/entertainment destination is a 220,000 sq. ft. complex with a state-of-the-art, 20-screen multiplex cinema and numerous upscale retailers including Timberland, Gant, Calvin Klein and Reebok. The center is a 50% joint venture with Australia's Village Roadshow International.

BEYOND CONVENTIONAL THINKING

POTENTIAL

Opportunities for growth? Abundant… as we explore the applications of advanced technology and business-to-tenant e-commerce, and benefit from the equity positions taken in various new ventures. ***The upside potential?*** Enormous…

Keeping pace with the fastest-growing forum for human communication has been the challenge for all businesses around the globe, as an estimated 250 million people are currently online worldwide – a number expected to double in the next few years.

The pace is even more daunting, as simple communication has been supplanted by the use of the Internet as a means of conducting business – from retail sales to online banking. Although online retailing is currently a small portion of total consumer spending, it is expected to increase dramatically during the next five years. Consumer online spending exceeded $20 billion in 1999, and is expected to grow to $184 billion by 2004. Likewise, business-to-business e-commerce is projected to reach the $400 billion mark in 2000. So desirable is the Internet as a forum, the name www.business.com was sold in 1999 for $7.5 million to a company setting up a business-to-business website.

The dynamics of this new business reality are not lost in our strategic planning at TrizecHahn. Part of our new direction is the pursuit of opportunities that lie beyond traditional real estate ownership, yet allow us to leverage our human capital – a transition in keeping with our history of opportunism. With this in mind, a major focus going forward will be using our experience, expertise and real estate assets to profit from new applications of technology.

We have already discussed how we are capitalizing on the explosive growth in the telecommunications industry to benefit our tenants and create incremental revenue for TrizecHahn. When it comes to technology, we plan to do much more than that – specifically, we will use the Internet as a tool to generate additional revenue and shareholder value.

ENTREPRENEURIAL THINKING

Top photo, left to right: Cynthia Yott, Tammy Gorr, David Canaday, Frank Sherlock and Chelo Taylor.

As owners and operators of commercial real estate in North America, we have access to a large business and consumer audience, which wants to derive benefits from the changes technology is creating in day-to-day life. We can leverage this "business-to-tenant" access to provide valuable services and conveniences to office tenants, who are both business and individual consumers, with less time to accomplish work and personal tasks.

We have vast experience managing high-quality office buildings and providing concierge services to this discriminating group of consumers, which we can now apply to take advantage of the new electronic economy. As a landlord, we know that value-added services make buildings more attractive to new tenants and help retain existing ones. We plan to be at the forefront of the real estate industry's transition from focusing simply on "bricks" to the inevitable reliance on "clicks".

In 1999, to seize and create new technological opportunities, TrizecHahn created an e-Business Development team and hired technology and e-commerce experts to lead our drive. We will be devoted to finding and executing investments in the high-tech arena that either directly benefit the existing asset base or are consistent with our "create, enhance and sell" strategy.

North American Office Portfolio

GEOGRAPHIC DISTRIBUTION

	sq. ft. millions	%
United States	52.0	77%
Canada	15.4	23%
Total	67.4	100%

RENTAL INCOME

	$ millions	%
United States	491	77%
Canada	148	23%
Total	639	100%

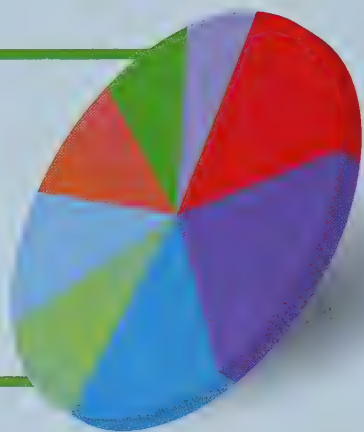
NET BOOK VALUE

	$ millions	%
United States	5,109	80%
Canada	1,293	20%
Total	6,402	100%

Geographic Distribution

by total leaseable area at December 31, 1999

19%	Midwestern U.S.
19%	Southwestern U.S.
15%	Eastern Canada
12%	Northeastern U.S.
11%	Southeastern U.S.
9%	Mid-Atlantic U.S.
8%	Western Canada
7%	Western U.S.



Rental Income

for year ended December 31, 1999

20%	Southwestern U.S.
16%	Eastern Canada
15%	Northeastern U.S.
13%	Mid-Atlantic U.S.
12%	Midwestern U.S.
10%	Southeastern U.S.
7%	Western U.S.
7%	Western Canada

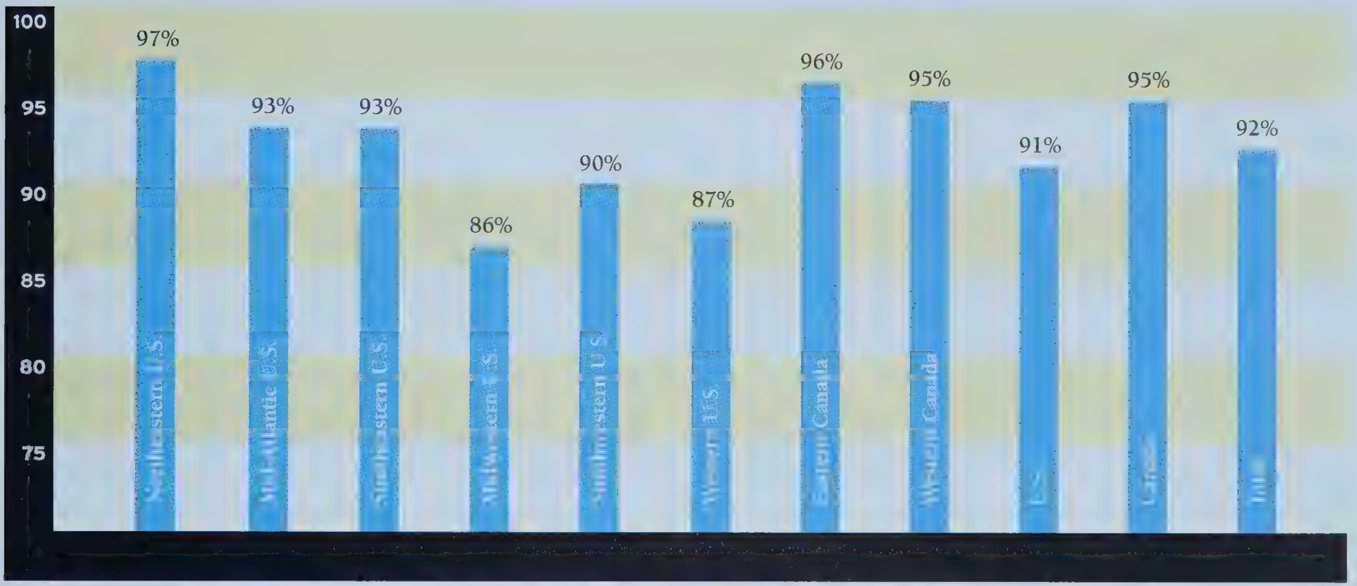
Net Book Value

as at December 31, 1999

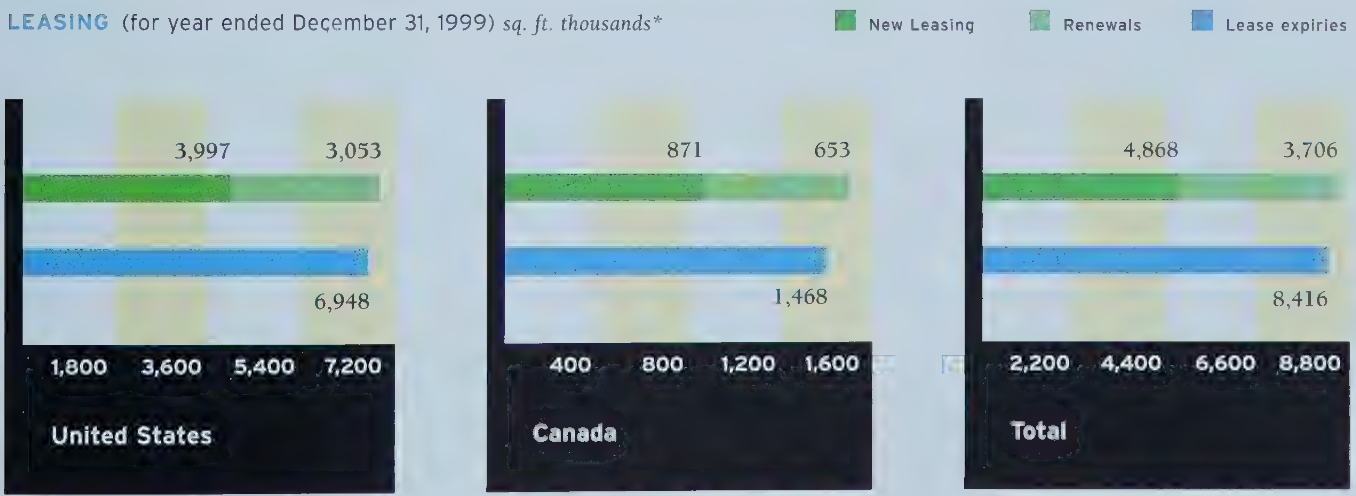
17%	Southwestern U.S.
16%	Northeastern U.S.
14%	Eastern Canada
14%	Mid-Atlantic U.S.
13%	Southeastern U.S.
13%	Midwestern U.S.
7%	Western U.S.
6%	Western Canada

Operating & Leasing Highlights

OCCUPANCY (at December 31, 1999)



LEASING (for year ended December 31, 1999) *sq. ft. thousands**



For year ended December 31, 1999	United States	Canada	Total
Rental revenue ($ millions)	873	290	1,163
Rental income ($ millions)	491	148	639
Operating margin	56%	51%	55%
New leasing and renewals* (sq. ft. thousands)	7,050	1,524	8,574
Net leasing* (sq. ft. thousands)	102	56	158
Tenant installation costs ($ millions)	111	18	129
Tenant installation costs (per sq. ft.)	$17	$12	$16

*Represents 100% of portfolio, rather than TrizecHahn's proportionate share.

North American Portfolio

OFFICE PROPERTIES - UNITED STATES

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total leasable area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy at Dec. 31, 1999
NORTHEASTERN U.S.							
One New York Plaza	New York, NY	1970/95	2,412,000	35,000	2,447,000	2,447,000	100%
The Grace Building (50%)	New York, NY	1971	1,352,000	87,000	1,439,000	720,000	96%
World Apparel Center (50%)	New York, NY	1970	1,039,000	49,000	1,088,000	544,000	97%
1460 Broadway (50%)	New York, NY	1951	183,000	15,000	198,000	99,000	97%
1065 Ave. of the Americas (99%)	New York, NY	1958	586,000	40,000	626,000	620,000	97%
110 William Street	New York, NY	1960	840,000	–	840,000	840,000	84%
Newport Tower	Jersey City, NJ	1990	1,004,000	24,000	1,028,000	1,028,000	99%
First Stamford Place[2]	Stamford, CT	1984/86/87	774,000	–	774,000	–	97%
Total – Northeastern U.S.	(8 properties)		8,190,000	250,000	8,440,000	6,298,000	97%
MID-ATLANTIC U.S.							
2000 L Street, N.W.	Washington, D.C.	1968/98	313,000	73,000	386,000	386,000	85%
Watergate Office Building	Washington, D.C.	1965/91	197,000	77,000	274,000	274,000	92%
1400 K Street, N.W.	Washington, D.C.	1982	181,000	10,000	191,000	191,000	99%
1250 23rd Street, N.W.	Washington, D.C.	1990	117,000	–	117,000	117,000	100%
2401 Pennsylvania	Washington, D.C.	1991	76,000	–	76,000	76,000	86%
Beaumeade Corporate Park	Washington, D.C.	1990/98	234,000	–	234,000	234,000	100%
1250 Connecticut, N.W.	Washington, D.C.	1964/96	155,000	16,000	171,000	171,000	100%
250 West Pratt Street	Baltimore, MD	1986	356,000	6,000	362,000	362,000	97%
Bethesda Crescent	Bethesda, MD	1987	250,000	14,000	264,000	264,000	97%
Plaza West	Bethesda, MD	1965	88,000	10,000	98,000	98,000	98%
Twinbrook Metro Park	Rockville, MD	1961/73/97	514,000	40,000	554,000	554,000	89%
Twinbrook Office Center	Rockville, MD	1988	154,000	9,000	163,000	163,000	98%
Twinbrook Metro Plaza	Rockville, MD	1986	164,000	–	164,000	164,000	98%
6006 Executive Boulevard	Rockville, MD	1963	42,000	–	42,000	42,000	100%
Silver Spring Centre	Silver Spring, MD	1987	199,000	17,000	216,000	216,000	94%
Silver Spring Metro Plaza	Silver Spring, MD	1986	640,000	48,000	688,000	688,000	96%
Goddard Corporate Park	Lanham, MD	1993	203,000	–	203,000	203,000	100%
Hanover Office Park[3]	Greenbelt, MD	1987	20,000	–	20,000	20,000	50%
Spring Park I & II	Herndon, VA	1985/86	359,000	–	359,000	359,000	93%
Sugarland West	Herndon, VA	1986	67,000	–	67,000	67,000	100%
Rosslyn Gateway	Arlington, VA	1970	250,000	–	250,000	250,000	93%
Waterview Building (80%)	Arlington, VA	1965	245,000	–	245,000	196,000	95%
1550 Wilson Boulevard	Arlington, VA	1983	129,000	–	129,000	129,000	66%
1560 Wilson Boulevard	Arlington, VA	1987	126,000	–	126,000	126,000	57%
Reston Crescent	Reston, VA	1980	251,000	–	251,000	251,000	100%
Sunrise Tech Park	Reston, VA	1983/85	313,000	–	313,000	313,000	100%
Courthouse Square	Alexandria, VA	1979	98,000	16,000	114,000	114,000	92%
Total – Mid-Atlantic U.S.	(27 properties)		5,741,000	336,000	6,077,000	6,028,000	93%

North American Portfolio

OFFICE PROPERTIES - UNITED STATES

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total leasable area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy at Dec. 31, 1999
SOUTHEASTERN U.S.							
Colony Square	Atlanta, GA	1970/73/95	679,000	141,000	820,000	820,000	95%
Midtown Plaza	Atlanta, GA	1984/85	504,000	–	504,000	504,000	95%
Interstate North Parkway	Atlanta, GA	1973/84	808,000	–	808,000	808,000	92%
Camp Creek Business Center	Atlanta, GA	1989/90	258,000	–	258,000	258,000	92%
Highlands Overlook	Atlanta, GA	1985/86	246,000	–	246,000	246,000	85%
The Interchange	Atlanta, GA	1979	118,000	–	118,000	118,000	87%
Lakeside Centre	Atlanta, GA	1984/86	508,000	–	508,000	508,000	93%
Newmarket Business Park	Atlanta, GA	1979/89	590,000	–	590,000	590,000	94%
The Palisades	Atlanta, GA	1981/83	364,000	–	364,000	364,000	80%
NationsBank Plaza	Columbia, SC	1989	302,000	–	302,000	302,000	93%
1441 Main Street	Columbia, SC	1988	264,000	–	264,000	264,000	86%
1333 Main Street	Columbia, SC	1983	197,000	22,000	219,000	219,000	96%
NationsBank Plaza	Charlotte, NC	1974	854,000	22,000	876,000	876,000	99%
First Citizens Plaza	Charlotte, NC	1985	444,000	7,000	451,000	451,000	97%
Perimeter Woods	Charlotte, NC	1991/98	313,000	–	313,000	313,000	99%
Esperante Office Building	West Palm Beach, FL	1989	235,000	–	235,000	235,000	76%
Clark Tower	Memphis, TN	1973/97	561,000	89,000	650,000	650,000	92%
Total – Southeastern U.S.	(17 properties)		7,245,000	281,000	7,526,000	7,526,000	93%
MIDWESTERN U.S.							
Sears Tower[4]	Chicago, IL	1974	3,446,000	66,000	3,512,000	–	97%
2 North LaSalle	Chicago, IL	1979	692,000	–	692,000	692,000	83%
10 South Riverside	Chicago, IL	1965	685,000	–	685,000	685,000	95%
120 South Riverside	Chicago, IL	1967	685,000	–	685,000	685,000	62%
Fisher Building	Detroit, MI	1928	543,000	92,000	635,000	635,000	75%
New Center One (67%)	Detroit, MI	1983	409,000	87,000	496,000	332,000	86%
Albert Kahn Building	Detroit, MI	1931	268,000	2,000	270,000	270,000	81%
Metropolitan Square	St. Louis, MO	1989	933,000	20,000	953,000	953,000	96%
St. Louis Place	St. Louis, MO	1983	304,000	–	304,000	304,000	97%
Two Pershing Square	Kansas City, MO	1986	511,000	–	511,000	511,000	85%
Williams Center I & II	Tulsa, OK	1982/83	768,000	–	768,000	768,000	88%
Northstar Center	Minneapolis, MN	1916/62/86	745,000	68,000	813,000	813,000	96%
Minnesota Center	Minneapolis, MN	1987	282,000	–	282,000	282,000	56%
Borden Building	Columbus, OH	1974	569,000	–	569,000	569,000	95%
Gateway Center	Pittsburgh, PA	1952/60	1,397,000	53,000	1,450,000	1,450,000	88%
Total – Midwestern U.S.	(15 properties)		12,237,000	388,000	12,625,000	8,949,000	86%

North American Portfolio

OFFICE PROPERTIES - UNITED STATES

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total leasable area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy at Dec. 31, 1999
SOUTHWESTERN U.S.							
Allen Center	Houston, TX	1972/78/80/95	3,112,000	64,000	3,176,000	3,176,000	97%
Cullen Center							
1600 Smith	Houston, TX	1984	1,108,000	–	1,108,000	1,108,000	96%
M.W. Kellogg Tower (50%)	Houston, TX	1978	1,035,000	–	1,035,000	518,000	96%
600 Jefferson	Houston, TX	1971	420,000	–	420,000	420,000	96%
500 Jefferson	Houston, TX	1962/83	373,000	–	373,000	373,000	71%
3700 Bay Area Blvd	Houston, TX	1986	399,000	–	399,000	399,000	29%
Renaissance Tower	Dallas, TX	1974/92	1,678,000	53,000	1,731,000	1,731,000	95%
Bank One Center (50%)	Dallas, TX	1987	1,531,000	–	1,531,000	766,000	79%
McKinney Place	Dallas, TX	1985	141,000	–	141,000	141,000	97%
Plaza of the Americas	Dallas, TX	1980	1,098,000	61,000	1,159,000	1,159,000	86%
Galleria Towers I, II and III	Dallas, TX	1982/85/91	1,408,000	–	1,408,000	1,408,000	96%
Park Central I & II	Dallas, TX	1970/71	261,000	–	261,000	261,000	63%
Total – Southwestern U.S.	(12 properties)		12,564,000	178,000	12,742,000	11,460,000	90%
WESTERN U.S.							
Citicorp Center (25%)	Los Angeles, CA	1985	896,000	338,000	1,234,000	309,000	82%
Marina Towers (50%)	Los Angeles, CA	1971/76	368,000	–	368,000	184,000	90%
9800 La Cienega	Los Angeles, CA	1985	336,000	–	336,000	336,000	94%
Encino Gateway	Los Angeles, CA	1978	338,000	–	338,000	338,000	89%
The Pinkerton Building	Los Angeles, CA	1970	200,000	–	200,000	200,000	88%
Warner Center	Los Angeles, CA	1980	384,000	–	384,000	384,000	100%
Landmark Square	Long Beach, CA	1991	416,000	33,000	449,000	449,000	87%
Shoreline Square	Long Beach, CA	1988	359,000	17,000	376,000	376,000	69%
One Concord Centre	Concord, CA	1986	346,000	–	346,000	346,000	91%
Capital Center II & III	Sacramento, CA	1984/85	542,000	–	542,000	542,000	92%
Total – Western U.S.	(10 properties)		4,185,000	388,000	4,573,000	3,464,000	87%
Total – United States	(89 properties)		50,162,000	1,821,000	51,983,000	43,725,000	91%

North American Portfolio

OFFICE PROPERTIES - CANADA

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total leasable area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy at Dec. 31, 1999
EASTERN CANADA							
Bell Trinity Square	Toronto, ON	1983	953,000	6,000	959,000	959,000	100%
Bell Data Centre	Toronto, ON	1969/77	459,000	–	459,000	459,000	100%
151 Front Street West	Toronto, ON	1954	212,000	45,000	257,000	257,000	94%
100 Borough Drive	Toronto, ON	1978	226,000	5,000	231,000	231,000	100%
North York Square	Toronto, ON	1974/75	227,000	1,000	228,000	228,000	77%
180 Wellington	Toronto, ON	1971	210,000	–	210,000	210,000	100%
347 Bay Street (50%)	Toronto, ON	1924	56,000	5,000	61,000	31,000	74%
1500 Don Mills	Toronto, ON	1979	219,000	–	219,000	219,000	94%
Place Bell Canada	Ottawa, ON	1971	941,000	44,000	985,000	985,000	94%
Place Ville Marie	Montreal, QC	1962/91	2,521,000	161,000	2,682,000	2,682,000	96%
Tour Bell	Montreal, QC	1983	974,000	43,000	1,017,000	1,017,000	99%
2020 University	Montreal, QC	1975	379,000	77,000	456,000	456,000	94%
200 Bouchard	Montreal, QC	1969/83	452,000	–	452,000	452,000	100%
Place Sherbrooke	Montreal, QC	1976	289,000	41,000	330,000	330,000	84%
360 Saint-Jacques	Montreal, QC	1928	312,000	4,000	316,000	316,000	92%
500 René-Lévesque[3]	Montreal, QC	1985	293,000	2,000	295,000	295,000	98%
Tour Jean Talon	Montreal, QC	1976	257,000	29,000	286,000	286,000	99%
Place Québec[3]	Quebec City, QC	1973/74	137,000	88,000	225,000	225,000	81%
Place Bell	Hull, QC	1991	203,000	2,000	205,000	205,000	99%
Total – Eastern Canada	(19 properties)		9,320,000	553,000	9,873,000	9,843,000	96%

North American Portfolio

OFFICE PROPERTIES - CANADA

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total leasable area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy at Dec. 31, 1999
WESTERN CANADA							
Bankers Hall	Calgary, AB	1989	866,000	240,000	1,106,000	1,106,000	98%
Calgary Place	Calgary, AB	1983	538,000	73,000	611,000	611,000	92%
Scotia Centre (50%)	Calgary, AB	1977	503,000	92,000	595,000	298,000	90%
Fifth & Fifth	Calgary, AB	1980	472,000	19,000	491,000	491,000	100%
Royal Bank	Calgary, AB	1970/91	331,000	–	331,000	331,000	96%
Canada Place[2]	Edmonton, AB	1988	765,000	79,000	844,000	–	100%
CN Tower	Edmonton, AB	1966	256,000	29,000	285,000	285,000	85%
Winnipeg Square	Winnipeg, MB	1983	561,000	60,000	621,000	621,000	99%
Royal Centre	Vancouver, BC	1974	506,000	104,000	610,000	610,000	96%
Total – Western Canada	(9 properties)		4,798,000	696,000	5,494,000	4,353,000	95%
Total – Canada	(28 properties)		14,118,000	1,249,000	15,367,000	14,196,000	95%
Total Office Properties	(117 properties)		64,280,000	3,070,000	67,350,000	57,921,000	92%

OTHER PROPERTIES

CN Tower[5]	Toronto, ON	1976/98			N/A		
Fashion Outlet of Las Vegas	Primm, NV	1998	–	363,000	363,000	363,000	70%
Total North American Properties	(119 properties)		64,280,000	3,433,000	67,713,000	58,284,000	–

Notes:

(1) The economic interest of TrizecHahn's owning entity is 100% unless otherwise noted.

(2) TrizecHahn manages these properties on a performance basis. At Canada Place, TrizecHahn's economic interest is effectively limited to the residual space not held by the ground lessor. TrizecHahn has an economic interest in First Stamford Place and participates in refinancing or sales proceeds. Accordingly, these properties are excluded from operating statistics other than aggregate square footage calculations.

(3) Excludes condominium ownership.

(4) TrizecHahn has purchased a subordinated mortgage and option to purchase the property that gives it effective control over all aspects of the building including property management and leasing. Accordingly, the property is excluded from operating statistics other than aggregate square footage calculations.

(5) TrizecHahn is leasing the CN Tower for an initial 40-year period with two 15-year renewal options.

North American Portfolio

DEVELOPMENT PROJECTS

Project name	Location/ type	Expected completion	Description	Total area (sq. ft.)	TrizecHahn cost[1] ($ mil.)	Total cost[1] ($ mil.)
Bankers Hall West Tower	Calgary, AB Office	Spring 2000	A 52-story, Class A office tower representing the second and final phase of this 2.1 million square foot office and retail complex started in 1986.	800,000	$ 120	$ 120
Beaumeade Technology Center	Washington, D.C. Office	Summer 2000	Located within the Beaumeade Corporate Park, acquired in 1998, this project consists of two buildings that offer many high-tech features including extensive multi-carrier fiber-optic conduits.	225,000	13	13
Reston Crescent	Reston, VA Office	End 2000	A six-story, state-of-the-art Class A building, designed and engineered specifically for users requiring technologically advanced facilities.	185,000	35	35
Bay-Adelaide Centre	Toronto, ON Office	Pre-leasing	A 50-story, Class A office tower, including two enclosed podium office levels; 55,000 square feet of multi-level retail, and an existing 3-level, 1,100-stall parking garage.	1,300,000	100	200
Desert Passage at Aladdin	Las Vegas, NV Retail/ Entertainment	Summer 2000	A single-level, enclosed, upscale specialty retail/entertainment complex surrounding the state-of-the-art redeveloped Aladdin Hotel & Casino.	450,000	160	260
Paseo Colorado[2]	Pasadena, CA Retail/ Entertainment	Summer 2001	Spanning three blocks along Colorado Boulevard, home of the annual Rose Bowl Parade®, this mixed-use development will feature an open-air environment with quality retail and dining, a multi-screen cinema, office space and residential units.	565,000	115	140
Hollywood & Highland	Los Angeles, CA Retail/ Entertainment	Fall 2001	A 640,000 square-foot premier retail/entertainment complex, home to the Academy Awards® ceremonies. The project also includes a four-star, 640-room, 600,000 square-foot hotel; world-class restaurants; fashion retailers; and production facilities.	1,240,000	440	567
Total North American Development Projects				4,765,000	$ 983	$ 1,335

Notes:

(1) Costs are net of proceeds from the sale of land and tenant acquired space.

(2) Area and cost figures exclude the residential component that is not being developed by TrizecHahn.

The above project descriptions and costs may change.

Pan-European Portfolio

OPERATING PROPERTIES

Name (ownership)[1]	Location/ type	Year of completion/ acquisition	Description	Total area[2] (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy at Dec. 31, 1999
Westend City Center (50%)[3]	Budapest, Hungary Retail/Entertainment	1999	The center includes retail, entertainment, office and hotel elements in a series of buildings that complement the surrounding historic architecture. Partner: TAP Investments	930,000	440,000	100%
Olympia Centrum (56%)	Brno, Czech Republic Retail/Entertainment	1999	The center features a hypermarket, multiplex theater, retail component and restaurants that will provide a strong combination of shopping, entertainment and leisure under one roof. Partner: Stannifer and Ahold	580,000	269,000	83%
Pólus Center (50%)	Budapest, Hungary Retail/Entertainment	1999	The center features over 240 specialty stores such as Nike, Hallmark and Giacomelli Sports, and is anchored by Tesco, Office Depot and an eight-screen Cineplex Odeon cinema. Partner: TAP Investments	460,000	155,000	98%
La Gran Manzana	Madrid, Spain Retail/Entertainment	1999	This center is part of an overall municipal complex, which also includes a town hall and theater. The center features a hypermarket, a seven-screen cinema and a range of retail tenants including The Disney Store.	230,000	122,000	100%
Village Entertainment Park (50%)	Athens, Greece Retail/Entertainment	1999	Greece's first fully integrated retail/entertainment destination with a state-of-the-art 20 screen multiplex cinema and upscale retail including Calvin Klein and Reebok. Partner: Village Roadshow International	220,000	110,000	98%
Porto Allegro (75%)	Montesilvano, Italy Retail/Entertainment	1999	An urban entertainment center with 26 specialty shops and restaurants, a state-of-the-art 11-screen cinema and a family entertainment center. 100% leased to leading national and international brands. Partners: the Maresca and D'Andrea groups	130,000	98,000	100%
Number One Poultry	London, England Office	1998	A landmark property located in the heart of the City of London within its banking district.	142,000	142,000	85%
Total Pan-European Operating Properties (7 properties)				2,692,000	1,336,000	95%

Notes:

(1) The economic interest of TrizecHahn's owning entity is 100% unless otherwise noted.

(2) Includes area owned directly by major/anchor stores as well as condominium units owned directly by in-line tenants.

(3) Only the retail/entertainment component (535,000 sq. ft.) of this project was open at December 31, 1999. Likewise, occupancy only reflects the retail/entertainment component.

Pan-European Portfolio

DEVELOPMENT PROJECTS

Project name	Location/ type	Expected completion	Description	Total area (sq. ft.)	TrizecHahn cost[1] ($ mil.)	Total cost[1] ($ mil.)
Haus am Zwinger	Dresden, Germany Office/Retail	Early 2000	A high-quality office and retail complex located in the historic city of Dresden, facing the Zwinger Palace in the recently developed Central Business District.	155,000	$ 55	$ 55
Bonaire Park	Valencia, Spain Retail/ Entertainment	End 2000	Being developed next to the airport in Valencia, Bonaire Park will be among Southern Europe's largest retail/entertainment projects. Partner: Riofisa	1,240,000	26	103
Pólus Centre	Bratislava, Slovakia Retail/ Entertainment	End 2000	The center will include a hypermarket, large sporting and electronic goods stores, a seven-screen multiplex, family entertainment, food court, themed restaurants and fashion stores. Partners: TAP Investments, Tilbery Iberra	625,000	32	64
Príncipe Pio	Madrid, Spain Retail/ Entertainment	End 2001	The redevelopment of a landmark downtown rail station into a retail/entertainment center. Strategically located at a metro, rail and bus interchange serving 450,000 commuters daily. Partners: Riofisa/Renfe	340,000	22	45
Frankfurt UEC[2]	Frankfurt, Germany Retail/ Entertainment	Fall 2002/ Spring 2003	An urban entertainment center that will revitalize Frankfurt's downtown core with its entertainment, retail, residential and leisure venues. Partner: EIM (Deutsche Bahn)	2,900,000	480	800
Total Pan-European Development Projects				5,260,000	$ 615	$ 1,067

OTHER INVESTMENTS

Brandenburg Park	Brandenburg, Germany	Acquired in 1991, this strategically located, fully integrated business park is just south of Berlin. Land parcels are serviced and sold to users who require spacious, accessible and purpose-built accommodations.

Notes:

(1) Costs are net of proceeds from the sale of land and tenant acquired space.

(2) TrizecHahn has secured the right to develop this project.

The above project descriptions and costs may change.

FINANCIAL REVIEW

1999

Financial Highlights

For the years ended December 31 (U.S.$ millions, except per share amounts)	1997	1998	1999	Change 1998 to 1999
Rental Revenue	$ 714	$ 964	**$ 1,189**	+23%
Rental Income	396	542	**653**	+20%
Cash Flow from Real Estate Operations	176	269	**331**	+23%
Per share, fully diluted	1.16	1.65	**2.00**	+21%
Net Income (before non-recurring items)	68	118	**155**	+31%
Per share, fully diluted	.46	.74	**.95**	+28%

At December 31 (U.S.$ millions)	1997	1998	1999	Change 1998 to 1999
Real Estate Assets	$ 5,130	$ 6,695	**$ 7,911**	+18%
Total Market Capitalization	6,572	7,118	**7,175**	+0.8%
Net Debt to Market Capitalization	43%	49%	**59%**	
Interest Coverage	1.97:1	2.19:1	**2.26:1**	

Management's Discussion and Analysis of Operations and Financial Condition

The following should be read in conjunction with the Consolidated Financial Statements and the notes thereto appearing later in this Annual Report, as well as the paragraph regarding forward-looking statements on page 87.

CREATE, ENHANCE AND SELL

TrizecHahn is an entrepreneurial company that identifies and executes investment opportunities, with a goal of delivering value to shareholders. Since the creation of its predecessor company, Horsham Corporation, its executives have focused on intrinsic value by adhering to a core discipline of *creating, enhancing and selling* in all business ventures.

The Corporation's most recent focus has been on managing its integrated real estate acquisition, development and operational activities. At December 31, 1999, after four years of buying and selling real estate assets, the Corporation owned interests in a geographically diverse North American office portfolio of 117 properties containing approximately 67 million square feet, of which TrizecHahn's ownership interest was approximately 58 million square feet. The Corporation has an additional 13 million square feet of office development potential in key markets across North America. TrizecHahn is also developing three retail/entertainment projects in North America.

The 1998 retail portfolio sale confirmed the validity of TrizecHahn's value-creation philosophy, as the $1.2 billion of net proceeds from this sale alone exceeded the original purchase cost of Horsham's entire real estate franchise. It must be acknowledged, however, that the North American real estate business is maturing and growth rates are declining. Recognizing this fact, the Corporation is continuing to apply its North American real estate expertise to European markets, with the goal of creating a pan-European real estate business. At year end, the Corporation owned interests in seven operating properties, totaling approximately three million square feet, and a development pipeline comprising five million square feet.

TrizecHahn is also taking advantage of the opportunities that technology is offering real estate operators, who have access to a large business and consumer audience through their tenants, to create incremental revenue by participating in the delivery of goods and services. With that in mind, TrizecHahn will devote significant resources to exploring how to leverage its experience and expertise to create additional revenue through the use of the Internet.

At the end of the year, TrizecHahn's stock was trading at a price that management believes is at a significant discount to the net asset value of the Corporation. The Corporation believes that the best way to close this gap between the underlying value of its real estate assets and its public market valuation is to sell assets and crystallize the value at the higher level. Therefore, in 2000, the Corporation intends to create significant liquidity through the sale of non-strategic office assets and will work towards its goal of monetizing its European franchise in the near term.

OPERATING AND CAPITAL STRATEGIES

TrizecHahn's operating strategy is focused on enhancing shareholder value by creating and realizing appreciation in intrinsic value. The Corporation believes it can achieve this goal by applying its core competencies of disciplined investing, development expertise, superior property management and leasing, as well as strategic asset management to the following:

- opportunistic investments;
- developing and re-developing assets in Europe and North America;
- maximizing cash flow from existing assets; and
- continuing active asset management including sell discipline.

Many of these skill sets and core disciplines transcend traditional real estate and will be applied to the exploration and execution of higher-growth investment opportunities. The Corporation believes that this multi-dimensional strategy and skill set will provide a continued pipeline of growth opportunities in the short, medium and long term. TrizecHahn's strategy is supported by a prudent capital strategy that maintains flexibility, through the following key elements:

- ensuring there is ample capital available at all times;
- utilizing an appropriate degree of leverage;
- allocating capital between investment types and geographies (the United States, Canada or Europe) based on the best risk-adjusted total returns; and
- actively managing its exposure to interest rate and foreign currency fluctuations.

The discussion that follows should build an understanding of how these strategies affect TrizecHahn's operating results and shareholder value. It also includes a review of the risks, opportunities and trends likely to have an impact on TrizecHahn's future performance.

RESULTS OF OPERATIONS

ANALYSIS OF CASH FLOW FROM REAL ESTATE OPERATIONS

TrizecHahn continued to achieve strong financial results for the year ended December 31, 1999, reflecting the ongoing success of its value-enhancing strategy. As part of that strategy, TrizecHahn made the decision early in 1998 to sell its North American retail portfolio and re-invest the proceeds into higher-yielding office assets, a process that the Corporation completed in early 1999. The additional revenue derived from the properties acquired in late 1998 and early 1999 drove cash flow from real estate operations 23% higher than it had been in 1998.

Strong real estate market conditions also positively affected the Corporation's operational performance last year, as demand resulted in occupancy and rental rate increases. As well, the impact of operating initiatives to improve the profitability and efficiency of real estate assets contributed to the increase in cash flow.

Cash flow from real estate operations, was approximately $331 million, $2.13 per share or $2.00 fully diluted, compared with $269 million, $1.76 per share or $1.65 fully diluted, for 1998.

Cash Flow from Real Estate Operations Change

For the years ended December 31

($ millions, except per share amounts)

	Change 1998-99	1999	1998	1997
RENTAL INCOME				
Office properties				
U.S.	**$ 191**	491	300	149
Canada	**13**	148	135	105
	204	639	435	254
Retail (U.S. and Europe)	**(93)**	14	107	142
TOTAL RENTAL INCOME	**111**	653	542	396
Interest expense, net	**(41)**	(272)	(231)	(186)
General and administrative expense	**(3)**	(38)	(35)	(29)
Current taxes	**(5)**	(12)	(7)	(5)
CASH FLOW FROM REAL ESTATE OPERATIONS (FFO)	**$ 62**	331	269	176
Basic	**$ 0.37**	2.13	1.76	1.19
Fully diluted	**$ 0.35**	2.00	1.65	1.16

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), with the major differences from U.S. GAAP described in Note 13 to the Consolidated Financial Statements. Specifically, the major differences are as follows: the Corporation uses the proportionate consolidation method of accounting for joint ventures rather than the cost or equity methods; carries its shares of Barrick at cost rather than at market value; follows the deferral method of accounting for income taxes rather than the liability method; recognizes rental revenue over the term of its operating leases as it comes due rather than on a straight-line basis; and depreciates properties using the sinking fund method rather than the straight-line method.

In the United States, The National Association of Real Estate Investment Trusts ("NAREIT") has adopted a measurement called Funds From Operations ("FFO") to supplement net income as a measure of operating

performance. This measurement is considered to be a meaningful and useful measure of real estate operating performance. The Corporation's presentation of Cash Flow from Real Estate Operations is conceptually consistent with NAREIT's definition of FFO, except that FFO would include any increase or decrease in income due to straight-line revenue recognition. As described in Note 13 to the Consolidated Financial Statements, under U.S. GAAP, TrizecHahn's 1999 FFO would have been approximately $356 million (or $25 million higher) due to the impact of the straight-line rent method of revenue recognition. In addition, under U.S. GAAP diluted earnings per share is calculated using the treasury stock method to determine if the outstanding stock options and warrants are dilutive. Canadian GAAP uses an imputed earnings approach to determine dilution. Factoring in these two differences, diluted FFO per share on a U.S. GAAP basis would have been $2.26 per share (1998 – $1.80 per share, 1997 – $1.18 per share). FFO does not represent cash flow from operations as defined by Canadian GAAP. This measure is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity.

Rental Income

Rental income for 1999 was approximately $653 million, compared with $542 million in 1998 and $396 million in 1997. The 1999 increase in rental income resulted primarily from the acquisition of office properties with the proceeds from the sale of the retail portfolio.

This capital re-deployment was completed in early 1999, with the acquisition of four million square feet of attractively priced properties in key markets. In January, TrizecHahn acquired Galleria Towers in Dallas and 1250 Connecticut Avenue in Washington, D.C. for $260 million, and in April, One New York Plaza in New York for $390 million. These acquisitions were consistent with the Corporation's strategy of buying assets that offered significant growth potential, and were acquired for an average cost of $160 per square foot, which was on average 63% of replacement cost.

TrizecHahn derived approximately 98% (1998 – 80%) of its total rental income from office properties and 2% (1998 – 20%) from retail properties for the year ended December 31, 1999. Approximately 77% (1998 – 75%) of this income was from properties in the United States and 23% (1998 – 25%) from properties in Canada.

The Corporation's European retail/entertainment projects began contributing to rental income in 1999, as the Corporation continued its European program. The Corporation plans to invest up to $500 million of equity in Europe to build a pan-European real estate company with a concentration on retail/entertainment centers. The strategy is to leverage TrizecHahn's North American expertise and focus the Corporation's experienced management team, in combination with local joint venture partners, to create a series of retail/entertainment centers, supplemented by strategic acquisitions and to monetize it in the near term.

Office Properties

A majority (75%) of the space in TrizecHahn's office portfolio is located in central business districts of North American cities such as Calgary, Chicago, Dallas, Houston, Los Angeles, Montreal, New York, and the Washington, D.C. area. At December 31, 1999, the United States, office portfolio was comprised of 89 buildings aggregating 52 million square feet. The Canadian office portfolio was comprised of 28 buildings aggregating 15 million square feet.

Office rental income increased 47% to $639 million in 1999, from $435 million in 1998. Again, most of this increase was due to the acquisition, primarily in the U.S., of office properties comprising 26 million square feet during 1998 and four million square feet in early 1999. Overall, the proportion of office income from the United States to total office income increased to 77%, from 69% in 1998. Rental income consists of base rent, percentage rent and operating cost recoveries, less cost of operations and property taxes. The following table identifies the principal factors contributing to the improved rental income performance.

Office Rental Income Change 1999 vs. 1998

($ millions)	U.S.	Canada	Total
Performance of comparable properties (U.S. – 32, Cdn. – 19)	$ 24	2	26
Termination fees	12	(3)	9
Acquisitions	148	12	160
Other (net of dispositions)	7	2	9
TOTAL INCREASE IN OFFICE RENTAL INCOME	$ 191	13	204

The increase in rental income from comparable properties (i.e., those properties owned both at December 31, 1999 and 1998, and in each case for a full fiscal year) was $26 million or 9% in 1999, due primarily to increased occupancy and rental rates. In the U.S. office portfolio, the comparable properties growth was 11%, which reflects increased occupancy of 1 percentage point and increased rental rates in key markets such as New York, Houston and Dallas. In the Canadian office portfolio, the comparable growth was 3%, with increased occupancy of 1 percentage point.

During 1999, the Corporation signed leases in the office portfolio totaling 8.6 million square feet, of which TrizecHahn's proportionate interest was 8.0 million square feet, consisting of 6.5 million square feet in the United States and 1.5 million square feet in Canada. This strong leasing activity raised total office portfolio occupancy by 1 percentage point to 92% – an increase from 90% to 91% in the United States, while Canada remained constant at 95%.

Rental income improved during 1999, in part as a result of contractual rent increases in existing leases. This was supplemented by a $1.90 per square foot increase in rental rates on new and renewing leases in the United States and a slight rolldown of $0.30 per square foot in Canada, for a combined uplift of $1.50. This reflects the continued improvement in the markets and the impact of space rolling over at properties with in-place rents below current market rents. This compares with an uplift in rents of $1 in 1998 and a rolldown in rents of $1 per square foot in 1997, $2 in 1996 and 1995, and $3 in 1994.

During 1999, the Corporation further increased its focus on improving the operating results of its properties. Operating initiatives, primarily in the area of parking management, generated an incremental $12 million.

Lease termination fees are an element of ongoing real estate ownership, and in 1999 the Corporation recorded an incremental $9 million of termination fees in rental revenue. These fees relate to specific tenants who have paid a fee to terminate their lease obligations before the end of the contractual term of their leases. As a policy, the Corporation actively manages these situations in order to reclaim space with below-market rent in buildings with a high probability of subsequent lease-up. Historically annual amounts have averaged approximately $10 million, however, there is no way of predicting the timing or amounts of future lease termination fees.

Retail (U.S. and Europe)

Retail rental income includes nominal income from the remaining U.S. retail portfolio and contributions from European on-stream properties, offset by currently non-recoverable start-up expenditures.

Retail Rental Income Change 1999 vs. 1998

($ millions)	U.S.	Europe	Total
Dispositions	$ (101)	–	(101)
On-stream properties	3	11	14
Unrecovered property management functions	–	(6)	(6)
TOTAL DECREASE IN RETAIL RENTAL INCOME	$ (98)	5	(93)

In the latter half of 1999, two million square feet of retail/entertainment center came on-stream in Europe, including Westend City Center in Budapest, Hungary and four retail/entertainment centers in Greece, Spain, Italy and the Czech Republic.

Interest Expense, Net

The year-over-year improvement in rental income in 1999, as compared with 1998, was partially offset by higher net interest expense. The following primary factors accounted for this increase.

Analysis of Increase in Interest Expense, Net

($ millions)	
Acquisitions	$ 84
Dispositions	(54)
Lower interest income	11
Unsecured debentures issued in 1998	4
Interest capitalized on active developments	(6)
Other	2
TOTAL INCREASE IN INTEREST EXPENSE, NET	**$ 41**

U.S. office property acquisitions, especially in the latter part of 1998 and in early 1999, contributed to higher interest expense in 1999, offset by interest expense savings from the disposition of the retail portfolio in 1998. Interest income earned on cash balances and short-term investments was higher in 1998 than 1999 due primarily to the timing of the re-deployment of retail sale proceeds.

The interest coverage ratio (defined as rental income less general and administrative expense divided by interest expense, net) improved to 2.26:1 for the year ended December 31, 1999, from 2.19:1 in 1998 and 1.97:1 in 1997. This improvement was due primarily to strength in underlying operations.

General and Administrative Expense

General and administrative expense includes only expenses for corporate and asset management functions. Expenses for property management and fee-based services are recorded as a reduction of rental income. Corporate expenses relate primarily to public company governance, business development, reporting and management functions. General and administrative expense was $3 million higher for 1999 as compared to the prior year, due primarily to the impact of the "start-up" of European operations, as certain research and business development expenses were not immediately recoverable or directly attributable to active development projects. As a percentage of rental revenue, general and administrative expense decreased from 3.6% to 3.2% on a year-over-year basis.

Sensitivity Analysis

To assist in understanding the influence of certain macro-economic drivers that directly impact real estate performance as measured by cash flow from real estate operations (FFO), the following analysis is provided.

Sensitivity Analysis ($ millions)	Increase or Decrease	Impact on annual FFO
Interest rate		
Interest expense, gross	100 basis points	$ 15
Interest expense, net	100 basis points	8
Rental rate	$1 per sq. ft.	7
Occupancy	1 percentage point	7
Canadian currency	1¢	1

Given the current minimal contribution from the European operations, the impact of European currency fluctuations on FFO is not material at this time.

These resultant sensitivity impacts are based on TrizecHahn's current financial position and operating portfolio and are not necessarily indicative of future events.

ANALYSIS OF NET INCOME

Net income in 1999 was $94 million, $0.61 per share or $0.59 fully diluted, down from $530 million, $3.46 per share or $3.11 fully diluted in 1998. The significant decrease in net income for 1999 compared with 1998 is not indicative of the state of the ongoing business. Rather, it includes the effects of two non-recurring events in 1998: the $452 million gain on the sale of properties and the $193 million gain on the sale of the unencumbered Barrick shares.

In 1999, net income before non-recurring items increased $37 million, over 1998, to $155 million. This improvement is attributable primarily to the significant increase in cash flow from real estate operations. The following table summarizes the key recurring and non-recurring components of net income for 1999, 1998 and 1997.

Net Income Analysis

For the years ended December 31

($ millions)	1999	1998	1997
CASH FLOW FROM REAL ESTATE OPERATIONS	**$ 331**	269	176
Recurring items			
Depreciation expense	**(99)**	(74)	(50)
Exchangeable debentures interest expense, net	**(15)**	(24)	(20)
Deferred income taxes – operations	**(62)**	(53)	(38)
INCOME BEFORE NON-RECURRING ITEMS	**155**	118	68
Non-recurring items (net of deferred income taxes)			
Gain (loss) on sale of properties	**(27)**	269	–
Loss on early debt retirement and reorganization costs	**(34)**	–	(25)
Gain on sale of Barrick shares	**–**	143	–
Gain on sale of Clark	**–**	–	5
NET INCOME	**$ 94**	530	48
INCOME BEFORE NON-RECURRING ITEMS PER SHARE			
Basic	**$ 1.00**	0.77	0.46
Fully diluted	**$ 0.95**	0.74	0.46
NET INCOME PER SHARE			
Basic	**$ 0.61**	3.46	0.32
Fully diluted	**$ 0.59**	3.11	0.32

Depreciation expense was $25 million higher than the prior year, due in part to the acquisitions made in the latter part of 1998 and in early 1999. Depreciation expense also increases with the build-up of tenant installation costs, which are amortized over the term of the respective lease, and with the compounding effect of applying the sinking fund method of depreciation. In 1999, the depreciation expense related to the amortization of tenant installation costs for the office portfolio amounted to $47 million (1998 – $25 million).

In an effort to strengthen its balance sheet, the Corporation re-financed $600 million of exchangeable debentures in 1999. The result, a $9 million decrease in exchangeable debentures interest expense, in 1999, was due to a reduction in the total principal amount and the interest rate of the debt. In March 1999, the Corporation issued two series of exchangeable debentures aggregating $409 million. The net proceeds from these issues were used to redeem, pursuant to terms of the trust indenture, the then outstanding $600 million 3 1/4% debentures at a redemption price of approximately $393 million. The new debentures have a current effective interest rate of approximately 2.4%, resulting in an effective annual interest cost savings of approximately $11 million. The increase in exchangeable debentures interest expense for 1998 over 1997 is attributable to the sale of the Corporation's unencumbered shares of Barrick and the loss of the associated dividend income ($5 million for the year ended December 31, 1998 and $9 million for 1997), which is included in exchangeable debentures interest expense.

TrizecHahn's provision for deferred income taxes against operations was approximately 29% of income before non-recurring items and taxes in 1999. This rate is lower than the combined basic Canadian federal and provincial income tax rate of approximately 45%, largely due to lower income tax rates applicable to income earned from operations in the United States and to the utilization of previously unrecognized tax losses against Canadian income. The actual cash taxes paid, which are deducted from cash flow from real estate operations, relate to franchise and state income taxes in the United States, withholding taxes and large corporations taxes in Canada.

Non-recurring Items

In 1998, the Corporation sold substantially all of its U.S. retail center portfolio, recording a net gain on sale of $452 million ($269 million after deferred taxes). In 1999, the Corporation sold certain non-core retail assets and committed to sell the remaining properties. As a result, the Corporation recorded an estimated loss of $44 million ($27 million after deferred taxes). The Corporation deferred a substantial portion of the approximately $1.2 billion taxable gain pertaining to the 1998 sale of its U.S. retail portfolio, by using the net proceeds from the sales of 12 of the 19 properties to acquire other U.S. properties in accordance with the "like-kind exchange" provisions of Section 1031 of the U.S. Internal Revenue Code.

As a consequence of the early retirement of the $600 million of exchangeable debentures, the Corporation expensed the remaining unamortized $20 million of

deferred financing costs associated with these debentures. Also during 1999, the Corporation incurred \$6 million of incremental professional advisory fees and \$8 million of incremental withholding taxes in order to explore certain strategic transactions and to optimize its corporate structure for tax purposes. In 1997, a loss of \$25 million was recorded, related to the early retirement of a property level mortgage and partial redemption of the 10.875% Senior Notes.

In February 1998, the Corporation sold its unencumbered shares of Barrick for gross proceeds of \$513 million. The majority of the shares were sold to the public by way of an underwritten secondary offering on an installment basis, with the balance sold on a fully paid basis. For the installment sales, approximately \$272 million was received at closing, with the balance of \$182 million (C\$264 million) being received on February 3, 1999. The gain generated by the sale, before deferred taxes, amounted to \$193 million. The Corporation recorded deferred income taxes in the amount of \$50 million related to this gain on sale, resulting in a net gain of \$143 million. Tax-loss carry-forwards were used to reduce the taxable income generated by the sale of the Barrick shares.

Income and Other Corporate Taxes

While the Corporation did not have current federal income tax liabilities in either Canada or the United States in 1999, due to tax-loss carry-forwards available in each country that offset regular taxable income, this status, on an ongoing basis, is dependent on the nature of operations and asset management and tax planning strategies. Given the current level and nature of operations, the Corporation's existing tax-loss carry-forwards should be sufficient to offset taxable income from operations throughout the year 2000. However, depending on the level and nature of asset dispositions, the Corporation may become taxable in 2000.

As part of its active management of its tax position, the Corporation pursued certain strategic alternatives during 1999, including preparing for possible future election of its U.S. office property operations to be taxed as a real estate investment trust ("REIT"), pursuant to the U.S. Internal Revenue Code. If a wholly owned REIT distributed at least 95% of its REIT taxable income to its parent company, in any year, complied with certain other requirements (relating primarily to the nature of its assets and the sources of its revenues) and did not dispose of assets that had not been held for certain periods of time, it would not be subject to U.S. income taxation (current combined federal and state rate of approximately 39%) to the extent of the income that it distributed. U.S. office property REITs typically distribute approximately 60% of their FFO. However, these distributions to a foreign parent company could attract withholding taxes at a rate, for the foreseeable future, of approximately 10%. There is no certainty, given evolving asset management strategies, that the U.S. office property operations will elect REIT status. However, the Corporation will continue to maintain its flexibility in this area.

In the United States at December 31, 1999, the Corporation had approximately \$272 million in net operating losses available for utilization in future years, for which the potential benefits have been recorded in the balance sheet as a reduction of deferred income tax liabilities. These losses are available to be utilized against cash taxes otherwise payable in future years. In Canada at December 31, 1999, the Corporation had tax-loss carry-forwards, income tax deductions and capital losses totaling approximately \$67 million available to reduce future taxable income and taxable capital gains, the potential benefits of which have not been recognized in the accounts.

For the year ending December 31, 2000, the Corporation will adopt the recommendations of the Canadian Institute of Chartered Accountants Accounting Standards Board section 3465 on Income Taxes, which has adopted the liability approach based on the temporary differences method. This standard is similar to that under U.S. GAAP and is not expected to have a material effect on net income.

ACQUISITION AND DEVELOPMENT ACTIVITY

As reflected in the Consolidated Statements of Cash Flows, the following property investment activities occurred in 1999.

Property Investment Analysis

	Office		Retail/mixed-use		
($ millions)	U.S.	Canada	U.S.	Europe	Total
Acquisitions	$ 661	–	–	–	661
Development expenditures	51	60	123	191	425
Tenant installation and capital expenditures (excluding free rent granted)	132	25	1	–	158
Dispositions of rental properties, net	(15)	–	(6)	–	(21)
NET PROPERTY INVESTMENT ACTIVITIES	$ 829	85	118	191	1,223

The $661 million of property acquisitions relate primarily to the acquisition of three office properties, totaling four million square feet.

Development expenditures in the Canadian office group reflected primarily the ongoing construction of Bankers Hall West Tower in Calgary. In the U.S. retail group, development activity reflected construction at Desert Passage at Aladdin in Las Vegas and at Hollywood & Highland in Los Angeles.

In Europe, development expenditures related primarily to the five projects that came on-stream in the second half of 1999: Westend City Center in Budapest, Hungary; Village Entertainment Park in Athens, Greece; Porto Allegro in Montesilvano, Italy; Olympia Centre in Brno, Czech Republic; and La Gran Manzana in Madrid, Spain.

TENANT INSTALLATION COSTS

TrizecHahn's operating properties require periodic investments of capital for tenant installation costs related to new and renewal leasing. The total amount of tenant installation costs is less relevant than the cost on a per square foot basis, because the total is impacted by the number of square feet of leases signed and occupancy in any given period. Tenant installation costs consist of tenant allowances (including free rent granted) and leasing costs. The Corporation expects that tenant installation costs should continue to decline in the near-term, on a per square foot basis, as market conditions in its target markets continue to stabilize. The following table reflects tenant installation costs for both new and renewing office leases.

Tenant Installation Costs

For the years ended December 31

(in millions, except per sq. ft. amounts)	**1999**	1998	1997
Square feet leased[1]			
– new leasing	**4.6**	3.8	2.0
– renewal leasing	**3.4**	2.7	1.3
Tenant installation costs	**$ 129**	115	46
Tenant installation costs per square foot	**$ 16**	18	14
Tenant allowance costs per square foot	**$ 11**	13	11

(1) Represents the Corporation's proportionate share of square feet leased.

During 1999, of the $129 million (1998 – $115 million) of office tenant installation costs, only approximately $38 million or $11 p.s.f. (1998 – $18 million or $7 p.s.f.) was incurred to renew existing tenants. In total dollars, the Corporation expects that the lease-up of vacant space in its recent acquisitions will contribute to higher spending on tenant installation costs. In 1999, approximately $90 million (1998 – $37 million) of the tenant installation costs were attributable to 4.6 million square feet (1998 – 2.1 million square feet) of leasing activity at properties acquired since 1997.

CAPITAL EXPENDITURES

To maintain the quality of its properties and preserve long-term value, TrizecHahn pursues an ongoing program of capital expenditures, certain of which are not recoverable from tenants. In 1999, recurring capital expenditures for the office portfolio were $10 million or $0.17 per square foot owned, as compared to $11 million or $0.25 per square foot owned in 1998. The Corporation believes that routine recurring capital expenditures for the office portfolio will average approximately $0.20 – $0.25 per square foot owned on an annual basis.

In addition to routine capital expenditures, expenditures were made in connection with non-recurring events such as code-required enhancements and upgrades to common areas, lobbies and elevators. Furthermore, as part of its office acquisition strategy, the Corporation has routinely acquired and repositioned properties, many of which have required significant capital improvements due to deferred maintenance and the existence of shell space requiring initial tenant build-out at the time of acquisition. In addition, some of these properties required substantial renovation to enable them to compete effectively. The Corporation takes these capital improvement and new leasing tenant inducement costs into consideration at the time of acquisition. For 1999, total non-recurring capital expenditures for the office portfolio totaled $28 million on a proportionate share basis, as compared to $15 million in 1998.

LIQUIDITY AND CAPITAL STRUCTURE

Liquidity

The Corporation's objective is to ensure, in advance, that there are ample capital resources to allow it to execute its business plan. The Corporation's liquidity provides greater certainty of execution which, in turn, gives the Corporation a competitive advantage in its negotiations for investments. The Corporation's willingness and ability to exercise sell discipline, as demonstrated in the sale of the mature retail property portfolio, supports this objective.

At December 31, 1999, TrizecHahn had $263 million in cash and short-term investments and had $240 million available in undrawn committed credit facilities.

Capital Base

TrizecHahn had an equity market capitalization of approximately $2.7 billion, based on the share price on the New York Stock Exchange ("NYSE") at December 31, 1999. This ranks TrizecHahn among the largest real estate companies in North America. In addition, in 1999 TrizecHahn was one of the most actively traded real estate stocks on North American exchanges.

In September 1998, the Corporation commenced the acquisition on the NYSE of subordinate voting shares for cancellation. In 1999, approximately 2.2 million subordinate voting shares were purchased for cancellation at an average cost of $18.75 per share, for a total cost of $41 million (1998 – 0.7 million shares, average cost $18.93 per share, total cost $14 million). An additional 0.7 million shares were purchased for cancellation by the Corporation between December 31, 1999 and February 7, 2000.

During the year, approximately 13.8 million warrants were exercised at a price of C$14.14 each, resulting in the issuance of 8 million subordinate voting shares of the Corporation, for a total cash consideration of $133 million.

The Corporation intends to re-invest its cash flow in opportunistic investments in real estate and higher-growth opportunities in order to increase shareholder value. Therefore, it has established a dividend payout level that is consistent with a growth-oriented company in which capital is retained for re-investment. In 1999, the Corporation paid dividends aggregating 35¢ per share. Subsequent to year end, the Corporation declared a semi-annual dividend of 17.5¢ per share.

Leverage

The Corporation continues to follow a conservative financial strategy by maintaining a strong balance sheet and prudent leverage. Management balances its objectives of retaining capital for re-investment to expand its business, while maintaining a leverage ratio that it believes is appropriate, and thereby provide greater enhancement to shareholder value, as an alternative to significantly reducing debt.

Leverage Ratios

	1999	1998	1997
Net debt to total book capital	**62%**	59%	63%
Net debt to total market capitalization	**59%**	49%	43%

The leverage ratio is the ratio of long-term debt less cash and short-term investments ("net debt") to the sum of net debt, deferred income taxes and shareholders' equity ("book capital") under different assumptions. The exchangeable debentures are excluded from the calculations as they can be satisfied through the delivery of the underlying Barrick shares.

Long-term Debt

At December 31, 1999, long-term debt was approximately $4.5 billion. As reflected in the Consolidated Statements of Cash Flows, the following long-term debt financing activities occurred in 1999.

Long-term Debt Analysis
($ millions)

Acquisition financing	$ 383
Property financing	666
Development financing	188
Debt repaid on dispositions	(1)
Regular principal repayments	(55)
Debt maturities and paydowns	(742)
NET LONG-TERM DEBT FINANCING ACTIVITIES	$ 439

During 1999, the Corporation completed property-level financings aggregating $1.4 billion.

At December 31, 1999, collateralized rental property loans totaled $3.7 billion. Of these loans, approximately $2.9 billion is collateralized by properties located in the United States, $600 million in Canada and $200 million in Europe. The remaining $800 million consists primarily of five facilities, the $168 million Senior Notes and four issues of Canadian-dollar-denominated, unsecured debentures issued in 1997 and 1998 totaling $570 million. Of the total long-term debt, $3.2 billion or 71% is denominated in U.S. dollars and the balance of approximately $1.3 billion or 29% is denominated primarily in Canadian dollars.

Management's Discussion and Analysis of Operations and Financial Condition

At December 31, 1999, the weighted average number of years to maturity for the Corporation's collateralized property debt was 4.4 years. Approximately $1.5 billion of the Corporation's long-term debt was floating-rate debt (both hedged and unhedged). Due to its active asset management and development strategy, the Corporation intentionally keeps a portion of its debt on a floating-rate basis. This gives TrizecHahn flexibility for sales, developments, investments and refinancings without high prepayment penalties once lease-up strategies are completed. To better maintain the cost-effectiveness and flexibility of its capital plan, the Corporation continually monitors short-term and long-term interest rates, entering into long-term, fixed-rate loan arrangements or interest rate swap and cap contracts to manage the interest rate risk on its long-term debt and the impact of rising interest rates on cash flow. It is the Corporation's objective, based on the current interest rate environment, as well as on its asset sale and financing plan, to maintain unhedged floating-rate debt between 20% and 30% of total long-term debt. At December 31, 1999, approximately $1.2 billion or 27% of the Corporation's long-term debt was on an unhedged, floating-rate basis. Based on debt levels, interest rate hedges and interest rates in effect at December 31, 1999, a change of 100 basis points in the interest rate would have an approximately $8 million annualized impact on net interest expense, after being partially offset by higher interest income on the Corporation's cash balances invested.

Approximately 16% or $734 million, of the Corporation's long-term debt matures in 2000. Included in this amount is a $343 million loan, which has a 12-month extension option at the Corporation's discretion, and the C$275 million ($190.1 million), 6.10% unsecured debentures due September 1, 2000. Maturities in the subsequent four years amount to approximately $2.5 billion or 56% of total long-term debt, as described in Note 5 to the Consolidated Financial Statements. TrizecHahn plans to meet these maturing debt obligations through the re-financing of its debt with other indebtedness, existing cash and available credit, cash flow from operations, and the sale of assets.

OUTLOOK: RISKS AND OPPORTUNITIES

Office

The performance of TrizecHahn's office portfolio is affected by the supply of, and demand for, office space. Macroeconomic conditions, such as current and expected growth in the economy, business and consumer confidence and employment levels, drive this demand. In 1999, continued broad-based improvement in the economy resulted in generally lower vacancy rates, as excess supply in the CBD office markets was gradually depleted as a result of positive absorption. Management believes that markets are generally at supply and demand equilibrium and that the tightening of both debt and equity markets in the real estate sector has dampened the prospects for speculative building of new office space.

The Corporation's portfolio benefited from its position in downtown office buildings located in strong major markets throughout North America, as leases in 1999 expired at an average net rate of approximately $11 per square foot and were generally being signed at an average net rent per square foot of approximately $12.50. The average in-place rents for properties in all regional markets are generally considered to be below current market rents as indicated in the following table.

Market vs. In-place Rental Rates

At December 31, 1999

Region	Average In-place Net Rent (U.S.$ psf)	Average Market Net Rent[1] (U.S.$ psf)	Average Lease Term (yrs)
UNITED STATES			
Northeastern	14	22	9
Mid-Atlantic	14	17	5
Southeastern	10	12	4
Midwestern	9	12	5
Southwestern	10	13	5
Western	13	14	4
U.S. Portfolio	11	14	5
CANADA			
Eastern	9	10	10
Western	9	15	9
Canadian Portfolio	9	11	10
OFFICE PORTFOLIO	11	14	6

(1) Management's estimate of current net market rent for similar quality space in the same market.

For the total TrizecHahn office portfolio, in-place rents are on average approximately 21% below market rents. These market conditions, combined with the lease maturities in regional markets, as shown in the following table, are expected to contribute positively to cash flow in 2000 and future years.

Office Expiries

	2000		2001		2002		2003		2004	
Region	000s sq. ft.	US$ psf	000s sq. ft.	US$ psf	000s sq. ft.	US$ psf	000s sq. ft.	US$ psf	000s sq. ft.	US$ psf
UNITED STATES										
Northeastern	345	16	117	23	322	17	403	13	712	15
Mid-Atlantic	653	17	850	17	987	14	584	17	478	16
Southeastern	1,022	9	1,228	11	1,196	11	1,029	12	573	13
Midwestern	775	10	1,026	8	1,069	9	1,242	9	987	10
Southwestern	913	10	773	8	1,326	13	2,136	10	828	11
Western	545	13	320	13	409	13	506	16	339	15
U.S. Portfolio	4,253	12	4,314	11	5,309	12	5,900	11	3,917	13
CANADA										
Eastern	907	10	582	8	629	10	694	9	584	10
Western	1,101	8	443	9	381	10	604	9	303	10
Canadian Portfolio	2,008	9	1,025	9	1,010	10	1,298	9	887	10
Office Portfolio	6,261	11	5,339	11	6,319	12	7,198	11	4,804	12
PERCENTAGE OF TOTAL										
OCCUPIED SPACE	12%		10%		12%		13%		9%	

Over the next five years, scheduled lease expirations in the office portfolio average approximately 11% annually, based on occupied space. Rental revenue will also benefit from contractual steps on existing leases in place, which amount to approximately $13 million in 2000. Aggregate contractual increases in office rents for the five years ending December 31, 2004, will amount to approximately $150 million on a cumulative basis. In addition, the vacant space in the office portfolio (92% occupied at December 31, 1999) represents a significant opportunity to increase cash flow from improved leasing efforts. At year end, the Corporation had approximately 3.8 million square feet of fully executed leases for occupancy in 2000, with another one million square feet under active negotiation.

The Corporation's high-quality, diversified tenant and geographic asset base makes it better able to perform throughout the various phases of economic cycles and adds to the durability of future cash flow. The following table summarizes the breadth and diversity of the more than 4,500 tenants in the portfolio at December 31, 1999.

Tenant Mix by Industry Segment

	% of Occupied Space
Computers/Communications	14%
Banking	10%
Legal Services	10%
Oil/Gas	10%
Wholesalers/Retailers	7%
Business Services	6%
Securities Brokers	5%
Government	4%
Engineering/Architectural Services	4%
Transportation	3%
Other	27%
	100%

This large tenant base and strong position in key markets allows the Corporation to take advantage of economies of scale and drive internal growth in the areas of parking, riser management, telecommunications and antennas, specialty retail leasing, signage and branding opportunities, energy and national purchasing contracts.

TECHNOLOGY-RELATED OPPORTUNITIES

TrizecHahn acknowledges that the real estate business is maturing and growth rates are slowing, with supply and demand now in equilibrium, and that it needs to pursue alternative approaches to creating shareholder value. It also recognizes that technology is impacting all businesses and creating an opportunity for real estate operators, who have access to a large business and consumer market through their tenants, to enhance their own revenues by participating in the delivery of goods and services.

In 1999, to take advantage of the opportunities created by advanced technology, TrizecHahn created a new technology investment team and obtained equity in exchange for non-exclusive licensing agreements in several leading national providers of integrated communications services, including Allied Riser Communications Corporation, OnSite Access, Inc., Broadband Office, Inc. and Cypress Communications, Inc. in the United States and NetStone Communications Inc. in Canada. The licensing agreements reached with these providers will increase the revenue derived from the properties and improve their attractiveness and usefulness for current and potential tenants. The combined equity stakes received in the United States were fair valued, on a conservative basis, at approximately $12 million. This deferred revenue amount will be amortized as non-cash income over the life of the licensing agreements, which average approximately 10 years. The investment in these equity stakes will be accounted for at the same $12 million cost, with any appreciation in value only accounted for when realized.

TrizecHahn also executed an agreement with Elevator News Network (ENN) in Canada, and is negotiating a similar deal with Captivate Network in the United States, to introduce video monitors in elevators in its major office buildings, providing up-to-the-minute news and information to tenants. TrizecHahn will receive a percentage of the advertising revenues generated.

PAN-EUROPEAN OPERATIONS AND DEVELOPMENT

The Corporation announced plans to invest up to $500 million in Europe to build a pan-European real estate company with a concentration on retail/entertainment centers. At year end, approximately $200 million of equity had been invested. In addition, the development pipeline includes another 5.3 million square feet of projects under development or in active pre-development, including the Urban Entertainment Center in Frankfurt, Germany, Bonaire Park in Valencia, Spain and Pólus Centre in Bratislava, Slovakia.

The Corporation believes that Europe has high growth potential and is currently being under-served relative to retail product being offered in North America. The convergence of political ideology and economic policy in Europe has created an environment with significant opportunities. The strategy is to leverage TrizecHahn's North American expertise and focus the Corporation's experienced management team, in combination with local

joint venture partners, to create a series of retail/entertainment centers supplemented by strategic acquisitions. The Corporation plans to monetize the European franchise, in the near-term. In these existing and future projects in Europe, the Corporation intends to invest capital prudently given the additional political, currency exchange and economic risk considerations.

In North America, the Corporation is continuing its development of three destination-oriented retail/ entertainment centers. Hollywood & Highland, in Los Angeles, is a 640,000 square foot, $290 million complex (excluding the $150 million hotel component and net of $91 million of financing from the city); and Desert Passage at Aladdin, in Las Vegas, is a 450,000 square foot, $260 million retail/entertainment complex (TrizecHahn's share is $160 million), which is part of a $1.3 billion hotel and casino re-development and expansion project. Tenant demand at both of these projects has been strong, given their respective development phases. While the costs at Hollywood & Highland have exceeded the original forecast, the Corporation anticipates that additional revenue from sponsorship and other marketing opportunities should keep project returns attractive. Desert Passage at Aladdin will open on August 17, 2000 and Hollywood & Highland is expected to open in the fall of 2001. In addition, construction has commenced at Paseo, Colorado, a 565,000 square foot, $115 million (net of $26 million of financing from the City), mixed-use re-development in Pasadena, California.

In addition, Bankers Hall West Tower in Calgary reached a milestone when it received its occupancy permit on February 1, 2000. The building is 70% pre-leased and its anchor tenant begins moving into the building in March 2000.

At December 31, 1999, the Corporation's share of expenditures required to complete properties under development was estimated at $500 million ($400 million for four projects in North America and $100 million for three projects in Europe), for which construction financing facilities have been, or are being, arranged.

By their very nature, existing or future development activities entail certain risks, including the following: expenditure of funds on projects that may not come to fruition; development costs of a project may exceed original estimates, possibly making the project uneconomic; occupancy rates and rents at a completed project may be less than anticipated; operating expenses of a completed development may be higher than anticipated; permits and other governmental approvals may not be obtained. Among the methods used by TrizecHahn to manage these risks and to achieve desired financial returns are: analyzing markets effectively; seeking out and working with capable and successful local partners; securing significant pre-leasing commitments from tenants; negotiating reliable construction contract pricing; and pre-arranging flexible construction financing.

OVERALL OUTLOOK

In 1999, as part of its "create, enhance and sell" philosophy, the Corporation executed several initiatives that will benefit the Corporation in 2000 and future years:

- Further strengthened the quality, critical mass and strong market position of its office portfolio to generate "same-property" internal growth of 9%, with a positive uplift in rental rates upon re-leasing of space. Future results will benefit from the rollover of rents that are 21% below market, the lease-up of vacant space and the implementation of complementary operating initiatives.
- Advanced the creation of a pan-European retail/ entertainment real estate company with five new projects on-stream, an active development pipeline and a network of 12 offices in 10 countries.
- Established an e-business and new technology business development team that will actively explore and execute investments in the high-tech area.

The execution of this philosophy has resulted in 15 consecutive quarters for which FFO per share growth has averaged 31%. In 2000, the Corporation will continue to enhance its portfolio to create internal growth, but will also continue being opportunistic and disciplined by realizing on its real estate franchises, both in North America and Europe. The objective in the near term is to close the disparity between underlying asset values and share price performance. To that end, the Corporation will continue to pursue higher growth opportunities to achieve the mandate of creating long-term shareholder value.

Consolidated Balance Sheets

As at December 31 (U.S.$ millions)	Note	1999	1998
ASSETS			
Properties	2	**$ 7,468.0**	6,310.8
Cash and short-term investments		**263.3**	488.5
Investments	3	**407.4**	553.5
Other assets	4	**321.6**	289.0
		$ 8,460.3	7,641.8
LIABILITIES			
Long-term debt	5	**$ 4,495.0**	3,987.4
Exchangeable debentures - carrying amount	6	**536.0**	590.8
- deferred amount	6	**354.9**	284.2
Accounts payable and accrued liabilities	4	**487.7**	364.6
		5,873.6	5,227.0
Deferred Income Taxes		**361.6**	315.7
SHAREHOLDERS' EQUITY	8	**2,225.1**	2,099.1
		$ 8,460.3	7,641.8

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Peter Munk,
Director

Gregory C. Wilkins,
Director

Consolidated Statements of Income

For the years ended December 31

(U.S.$ millions, except per share amounts)	Note	1999	1998	1997
RENTAL OPERATIONS				
Rental revenue		**$ 1,188.8**	963.5	713.7
Operating expenses		**(392.6)**	(313.6)	(243.3)
Property taxes		**(143.5)**	(107.5)	(74.3)
RENTAL INCOME		**652.7**	542.4	396.1
General and administrative expense		**(38.2)**	(35.4)	(29.4)
Interest expense, net	5	**(272.0)**	(230.8)	(186.1)
REAL ESTATE OPERATING INCOME BEFORE THE FOLLOWING ITEMS		**342.5**	276.2	180.6
Depreciation expense		**(98.7)**	(73.8)	(50.1)
Exchangeable debentures interest expense, net		**(14.6)**	(23.8)	(19.9)
Gain (loss) on sale of properties, net	2	**(43.6)**	452.2	–
Loss on early debt retirement and reorganization costs	9	**(26.4)**	–	(25.1)
Income and other corporate taxes	7	**(65.2)**	(294.4)	(19.6)
Gain on sale of Barrick shares		**–**	193.1	–
INCOME FROM CONTINUING OPERATIONS		**94.0**	529.5	65.9
DISCONTINUED OPERATIONS OF CLARK	3			
Gain on sale		**–**	–	5.0
Income taxes		**–**	–	(23.1)
		–	–	(18.1)
NET INCOME		**$ 94.0**	529.5	47.8
INCOME PER SHARE FROM CONTINUING OPERATIONS	1			
Basic		**$ 0.61**	3.46	0.45
Fully diluted		**$ 0.59**	3.11	0.45
NET INCOME PER SHARE	1			
Basic		**$ 0.61**	3.46	0.32
Fully diluted		**$ 0.59**	3.11	0.32

See accompanying notes to the consolidated financial statements

Consolidated Statements of Retained Earnings

For the years ended December 31 (U.S.$ millions)	Note	**1999**	1998	1997
RETAINED EARNINGS, BEGINNING OF YEAR		**$ 1,019.5**	544.5	533.1
Net Income		**94.0**	529.5	47.8
Dividends	8	**(52.4)**	(46.0)	(36.4)
Subordinate voting shares purchased and cancelled	8	**(24.1)**	(8.5)	–
RETAINED EARNINGS, END OF YEAR		**$ 1,037.0**	1,019.5	544.5

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31

(U.S.$ millions, except per share amounts)	Note	1999	1998	1997
Cash flow from (applied to)				
OPERATING ACTIVITIES				
Real estate operating income		$ **342.5**	276.2	180.6
Current operating taxes	7	**(11.7)**	(6.9)	(4.4)
CASH FLOW FROM REAL ESTATE OPERATIONS		**330.8**	269.3	176.2
Exchangeable debentures interest expense, net		**(14.6)**	(23.8)	(19.9)
Loss on early debt retirement and reorganization costs	9	**(6.4)**	–	(25.1)
Incremental withholding taxes	7	**(7.6)**	–	–
Net change in operating working capital	4	**(20.5)**	9.3	(5.9)
Total operating cash flows		**281.7**	254.8	125.3
FINANCING ACTIVITIES				
Long-term debt				
Acquisition financing		**383.1**	1,150.6	255.4
Development financing		**187.9**	80.4	24.2
Property financings		**665.5**	297.4	320.8
Unsecured debentures issued		**–**	188.5	395.7
Principal repayments		**(797.1)**	(301.7)	(757.5)
Repaid on dispositions		**(1.4)**	(20.1)	(16.4)
Financing of retail partnership interests		**–**	90.3	–
Exchangeable debentures issued	6	**404.8**	–	–
Exchangeable debentures redeemed	6	**(392.9)**	–	–
Issue of shares	8	**136.3**	8.1	179.1
Shares purchased and cancelled	8	**(40.6)**	(14.1)	–
Dividends paid		**(52.4)**	(46.0)	(36.4)
Total financing cash flows	4	**493.2**	1,433.4	364.9
TOTAL OPERATING AND FINANCING ACTIVITIES		**774.9**	1,688.2	490.2
INVESTING ACTIVITIES				
Properties				
Acquisitions		**(661.5)**	(2,520.6)	(642.5)
Development expenditures		**(425.1)**	(370.4)	(93.2)
Tenant installation costs		**(119.6)**	(100.9)	(45.6)
Capital expenditures		**(38.2)**	(26.8)	(16.2)
Acquisitions of retail partnership interests		**–**	(311.1)	–
Dispositions		**21.0**	1,628.1	66.5
Barrick share sale and installment receivable	3	**174.8**	330.3	–
Investment in Sears Tower	3	**–**	–	(70.0)
Proceeds from sale of investment in Clark	3	**–**	–	115.6
Funds provided from (invested in) other assets and liabilities		**48.5**	(21.7)	44.1
Total investing cash flows	4	**(1,000.1)**	(1,393.1)	(641.3)
NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS		**(225.2)**	295.1	(151.1)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR		**488.5**	193.4	344.5
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR		$ **263.3**	488.5	193.4
CASH FLOW FROM REAL ESTATE OPERATIONS PER SHARE	1			
Basic		$ **2.13**	1.76	1.19
Fully diluted		$ **2.00**	1.65	1.16

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

For the years ended December 31, 1999, 1998 and 1997
(tabular amounts in U.S.$ millions, except per share amounts)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of TrizecHahn Corporation ("TrizecHahn" or "the Corporation") are prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants ("Canadian GAAP"). These principles differ in certain respects from those generally accepted in the United States ("U.S. GAAP") and to the extent that they affect the Corporation, these differences are described in Note 13 "Differences from United States Accounting Principles."

The Corporation's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC"). In the United States, the National Association of Real Estate Investment Trusts ("NAREIT") has adopted a measurement called Funds From Operations ("FFO") to supplement net income as a measure of operating performance. This measurement is consistent with CIPPREC's presentation of cash flow from real estate operations and is considered to be a meaningful and useful measure of real estate operating performance. FFO does not represent cash flow from operations as defined by Canadian GAAP. This measure is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The Corporation has adopted the new recommendations of the CICA Handbook section on cash flow statements. Under this new standard, investing and financing activities that do not require the use of cash or short-term investments are excluded from the cash flow statement and disclosed separately. This standard is now substantially similar to U.S. GAAP.

Certain comparatives have been reclassified to conform to the current year's presentation.

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and of all subsidiaries of the Corporation where more than 50% of the voting shares are owned and the accounts of all incorporated and unincorporated joint ventures and partnerships to the extent of the Corporation's proportionate interest in their respective assets, liabilities, revenue, expenses and cash flow. All material intercompany transactions have been eliminated.

b. Reporting Currency and Foreign Currency Translation

The consolidated financial statements have been presented in U.S. dollars because it is the currency of the primary economic environment in which the Corporation conducts its operations. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate for the period. The Corporation's operations in Canada and Europe are of a self-sustaining nature. Cumulative gains or losses arising from the translation of the assets and liabilities of these operations are recorded as a separate component of shareholders' equity.

In these financial statements, unless otherwise indicated, all dollar amounts are expressed in United States dollars, references to "U.S.$" and "$" are to United States dollars and references to "C$" are to Canadian dollars.

c. Properties

i. Rental properties

Rental properties held as ongoing investments are recorded at the lower of cost and net recoverable amount. Net recoverable amount is the undiscounted projected future net cash flow to be generated from the property throughout its useful life, including its residual value, and is intended to determine recoverability of an investment and is not an expression of a property's fair market value. Rental properties considered for disposition in the near term are recorded at the lower of cost and net realizable value. Net realizable value is determined on the basis of amounts that would be realized if the property were offered for sale in the ordinary course of business under normal market conditions.

Depreciation of rental properties is determined using the sinking fund method under which an increasing amount consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum is charged to income so as to fully depreciate the buildings and improvements over their estimated useful lives of 30 to 50 years, subject to the terms of any respective ground leases.

Tenant installation costs are deferred and amortized on a straight-line basis over the term of the respective lease. In 1999, depreciation expense relating to tenant installation costs amounted to approximately $47 million (1998 – $25 million, 1997 – $15 million). Consistent with U.S. GAAP, tenant installation costs are presented as investing activities within the consolidated statements of cash flows. Maintenance and repair costs are expensed against operations as incurred, while significant improvements, replacements and major renovations are capitalized to rental properties. Furniture, equipment and certain improvements are depreciated on a straight-line basis over periods of up to 10 years.

ii. Properties under and held for development

Properties under development consist of rental properties under construction and are recorded at the lower of cost, including pre-development expenditures, and net recoverable amount. Properties held for development are recorded at the lower of cost and net recoverable amount. Properties developed for sale are recorded at the lower of cost and net realizable value.

d. Capitalized Costs

Consistent with U.S. GAAP, the cost of properties under development includes all expenditures incurred in connection with the activities of acquiring, developing and constructing these properties. These expenditures consist of all direct costs including initial leasing costs, interest on general and specific debt and other direct expenses considered applicable.

Revenues relating specifically to such properties are treated as a reduction of costs until such time as construction is substantially completed and the property is available for occupancy.

e. Income Recognition

i. Revenue from a rental property is recognized once the property is substantially completed and available for occupancy. Prior to this time, the property is categorized as a property under development. The Corporation has retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes minimum rents, participating percentage rents and recoveries of operating expenses and property, capital and large corporation taxes.

ii. Income from the sale of properties is recorded when the collection of the proceeds of sale is reasonably assured and all other significant conditions and obligations are met.

f. Cash and Short-term Investments

Cash and short-term investments consist of liquid investments, such as time deposits, money market instruments, commercial paper, and Canadian and U.S. government securities carried at the lower of cost and quoted market value.

Cash and short-term investments include $98.8 million (1998 – $82.9 million) at the property level which is designated primarily for tenant installation costs and certain mortgage debt servicing.

g. Investments

The Corporation accounts for investments over which it exercises significant influence by the equity method. This method adjusts the original cost of the shares for the Corporation's share of net income or losses and changes in shareholders' equity, less dividends received.

Investments in which the Corporation does not exercise significant influence are accounted for by the cost method. Income is recognized only to the extent of dividends received.

Investments with a permanent impairment in value are written down to their estimated realizable value.

h. Exchangeable Debentures

The carrying amount of the Corporation's exchangeable debentures is based on the market price, on the balance sheet date, of the underlying Barrick shares that would be exchanged to extinguish the debenture liability.

Where it is contemplated that delivery of the underlying Barrick shares will be made in satisfaction of the liability, hedge accounting is used, whereby the difference between the carrying amount and the original issue amount of the debentures is recorded as a deferred charge until such time as there is a disposal of the underlying Barrick shares.

i. Income Taxes

The Corporation follows the tax deferral method of accounting for income taxes whereby earnings are charged with income taxes relating to reported earnings. Differences between such taxes and those currently payable or recoverable are reflected in deferred income taxes and arise because of differences between the time certain items of revenue and expense are reported in the consolidated financial statements and the time they are reported for income tax purposes.

j. Financial Instruments

The Corporation uses interest rate cap and swap agreements to manage risks from fluctuations in interest rates. The Corporation accounts for cap contracts as hedges and, as a result, the carrying values of the financial instruments are not adjusted to reflect their current market values. Any amounts receivable arising from interest rate cap contracts are recognized as a reduction of interest expense on an accrual basis. Premiums paid to arrange interest rate cap contracts are deferred and amortized over the term of the contracts. Under interest rate swap agreements, payments are recognized as adjustments to interest expense when incurred. The Corporation deals with high quality financial institutions as counterparties.

The estimated fair value of long-term debt is based on the values derived using market interest rates of similar instruments. In determining estimates of the fair value of financial instruments, the Corporation must make assumptions regarding current market interest rates, considering the term of the instrument and its risk. Current market interest rates are generally selected from a range of potentially acceptable rates and, accordingly, other effective rates and/or fair values are possible.

Deferred financing costs, which are included in other assets, are amortized to interest expense over the term of the obligation.

The carrying amounts of cash and short-term investments, other assets, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

k. Share Based Compensation Plans

The Corporation has a share based compensation plan, which is described in Note 8. No compensation expense is recognized for this plan when share options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

l. Per Share Calculations

Basic income from continuing operations, net income and cash flow from real estate operations per share, were calculated based on the weighted average number of shares outstanding for the year. The calculation of income from continuing operations, net income and cash flow from real estate operations per share on a fully diluted basis considered the potential exercise of outstanding share purchase options and warrants to the extent each option and warrant was dilutive.

The following table summarizes the number of shares used in the calculation of per share amounts:

For the years ended December 31 (in millions of shares)	**1999**	1998	1997
INCOME FROM CONTINUING OPERATIONS			
Basic	**155.3**	153.0	147.7
Fully diluted	**173.1**	173.7	153.3
NET INCOME			
Basic	**155.3**	153.0	147.7
Fully diluted	**170.4**	173.7	150.0
CASH FLOW FROM REAL ESTATE OPERATIONS			
Basic	**155.3**	153.0	147.7
Fully diluted	**173.1**	173.7	165.2

Interest on the funds which would have been received had the share purchase options and warrants been exercised has been imputed at a rate of 5.0% per annum (1998 and 1997 – 5.0%).

m. Recent Canadian GAAP Pronouncements

In December 1997, the Canadian Institute of Chartered Accountants Accounting Standards Board ("CICA-AsB") approved section 3465 on Income Taxes which has adopted the liability approach based upon the temporary differences method. The standard is similar to that under U.S. GAAP. This standard is applicable for the Corporation's fiscal 2000 year.

In March 1999, the CICA-AsB approved a new standard for recording and disclosing pension and other future employee benefits which is applicable for the Corporation's fiscal 2000 year.

The Corporation does not expect these two new standards to have a material effect on net income.

2. PROPERTIES

	1999	1998
Rental properties		
At cost	**$ 7,044.0**	5,936.5
Accumulated depreciation	**(220.6)**	(124.5)
	6,823.4	5,812.0
Properties under and held for development	**644.6**	498.8
	$ 7,468.0	6,310.8

In 1998, the Corporation sold substantially all of its U.S. retail operating center portfolio, recording a net gain on sale of $452.2 million. In the fourth quarter of 1999, the Corporation sold certain non-core retail assets, and is intending to sell the remaining remnant properties. As a result, the Corporation recorded an estimated loss of $43.6 million.

a. In addition to development, construction and direct costs, the following carrying costs have been capitalized to properties under and held for development during the period:

For the years ended December 31		1999	1998	1997
Revenue	$	**(2.4)**	–	–
Operating expenses		**3.2**	1.9	0.4
Interest expense (Note 5)		**30.1**	23.7	12.6
	$	**30.9**	25.6	13.0

The Corporation's share of expenditures required to complete properties under development is estimated at approximately $500 million, for which construction financing facilities are currently being, or have been, arranged.

b. Future minimum rentals to be received under non-cancellable tenant leases in effect at December 31, 1999, are as follows:

Years ending December 31,	2000	$ 817.3
	2001	759.1
	2002	680.0
	2003	582.8
	2004	500.4
	Thereafter	2,442.5
		$ 5,782.1

c. Properties carried at a net book value of approximately $1,553 million are situated on land held under leases or agreements expiring in the years 2017 to 2150.

Minimum land rental payments for each of the next five years and subsequent are as follows:

Years ending December 31,	2000	$ 11.9
	2001	12.1
	2002	12.0
	2003	12.0
	2004	12.1
	2005 to 2150	714.4
		$ 774.5

Additional rent is payable under certain leases based on rental revenue or net cash flow from properties situated on leased land.

3. INVESTMENTS

		1999	1998
Investment in Sears Tower	$	**70.0**	70.0
Mortgages, notes receivable and other investments		**51.2**	25.0
Investment in Barrick		**286.2**	286.2
Barrick share sale installment receivable (C$264.0)		–	172.3
	$	**407.4**	553.5

a. Investment in Sears Tower

On December 3, 1997, the Corporation purchased a subordinated mortgage and an option to purchase the Sears Tower in Chicago (the "Investment in Sears Tower") for $70 million, which gives TrizecHahn effective control over all aspects of the building including property management and leasing. The Corporation's mortgage is subordinate to an existing first mortgage plus accrued interest (December 31, 1999 – approximately $768 million, December 31, 1998 – approximately $751 million), which is serviced only to the extent of available cash flow. The subordinated mortgage, which matures in July 2010, has a principal plus accrued interest balance of approximately $328 million at December 31, 1999 (1998 – $311 million), and has participation rights on available cash flow. As excess cash flow is not currently available to service the subordinated mortgage, no interest income has been recognized for the periods ended December 31, 1999, 1998 and 1997. The option to purchase the building is exercisable between January 2003 and July 2005 at a price of approximately $950 million plus 40% of the amount by which the appraised value of the building exceeds $1,063 million.

b. Investment in Barrick and Sale of Unencumbered Shares

At December 31, 1999, the Corporation's remaining investment in Barrick Gold Corporation ("Barrick"), an international gold mining company, consisted of 30,299,558 common shares that are pledged as collateral for the full satisfaction of the exchange obligation related to exchangeable debentures (Note 6). Dividends received from Barrick during the current year of $6.1 million (1998 – $5.5 million, 1997 – $9.4 million) have been netted against exchangeable debentures interest expense.

On February 3, 1998, the Corporation sold its 28,166,026 unencumbered shares of Barrick for gross proceeds of $512.6 million. The majority of the shares (24,896,026) were sold to the public by way of an underwritten secondary offering on an installment basis, with the balance (3,270,000) sold on a fully paid basis. For the installment sales, approximately 60% of the selling price ($272 million) was received on closing with the balance of $182.3 million (C$264 million) received February 3, 1999.

c. Investment in Clark – Sale of Investment

On November 3, 1997, the Corporation, in accordance with its plan formalized during 1996, completed the sale of its investment in Clark USA, Inc. ("Clark"), an oil refining and marketing company in the United States. The disposal of this investment resulted in a pre-tax gain of $5.0 million and has been classified as "Discontinued operations of Clark". Income taxes of $23.1 million, before the utilization of tax-loss carry-forwards from continuing operations, were recorded in connection with this sale.

Notes to the Consolidated Financial Statements

4. OTHER ASSETS AND LIABILITIES

a. Other Assets

	1999	1998
Tenant and other receivables, net of allowance for doubtful accounts (1999 – $10.5, 1998 – $7.2)	**$ 88.6**	72.4
Prepaid expenses	**44.5**	29.3
Deferred financing costs, net of accumulated amortization (1999 – $16.8, 1998 – $10.1)	**51.6**	57.8
Deposits, deferred charges and other	**136.9**	129.5
	$ 321.6	289.0

b. Accounts Payable and Accrued Liabilities

	1999	1998
Trade payables	**$ 16.3**	10.7
Construction and tenant installation payables	**166.3**	86.8
Accrued interest expense	**32.9**	33.5
Accrued operating expenses and property taxes	**137.4**	111.5
Security deposits and other accrued liabilities	**134.8**	122.1
	$ 487.7	364.6

c. Net Change in Operating Working Capital

The net change in operating working capital includes the net change in tenant receivables, prepaid expenses, deferred charges and other assets, accounts payable and accrued liabilities that relate to operating activities:

For the years ended December 31	1999	1998	1997
Cash flow from (applied to)			
Tenant receivables	**$ (16.0)**	37.8	(24.9)
Prepaid expenses	**(15.0)**	(3.4)	1.1
Deferred charges and other assets	**3.2**	1.2	3.7
Accounts payable and accrued liabilities	**7.3**	(26.3)	14.2
Net change in operating working capital	**$ (20.5)**	9.3	(5.9)

d. Consolidated Statements of Cash Flows – Supplemental Information

Significant non-cash financing and investing activities include the following:

For the years ended December 31	1999	1998	1997
Long-term debt assumed on property acquisitions	**$ 15.9**	317.0	431.0
Long-term debt assumed on developments	**66.3**	7.1	–
Long-term debt assumed on acquisitions of retail partnership interests	**–**	233.1	–
Long-term debt assumed by purchasers on property dispositions	**(19.6)**	(1,122.0)	(19.6)
Other non-cash financings	**–**	35.8	–
Subordinate voting shares issued as consideration for properties (Note 8)	**–**	–	114.7
	$ 62.6	(529.0)	526.1

Interest expense paid during 1999, 1998 and 1997 approximates interest cost, gross (Note 5). Cash taxes paid during 1999, 1998 and 1997 approximate current taxes (Note 7).

5. LONG-TERM DEBT

	Weighted average interest rates as at December 31, 1999	1999	Weighted average interest rates as at December 31, 1998	1998
Collateralized property loans:				
At fixed rates	**7.09%**	**$ 2,387.8**	7.22%	$ 2,117.1
At variable rates (subject to interest rate caps)	**8.66%**	**111.0**	7.48%	163.3
At variable rates	**7.26%**	**1,194.0**	7.03%	754.4
Other loans:				
At fixed rates	**7.32%**	**569.8**	7.24%	613.0
At variable rates (subject to interest rate caps)	**6.97%**	**207.4**	7.04%	195.9
At variable rates	**7.16%**	**25.0**	6.30%	143.7
	7.20%	**$ 4,495.0**	7.16%	$ 3,987.4

a. Collateralized Property Loans

As at December 31, 1999, the Corporation has fixed the interest rates on $23.7 million (1998 – $35.2 million) of the debt classified as fixed, in the above table, by way of interest rate swap contracts with a weighted average interest rate of 8.18%, and maturing between June 2000 and November 2002. The costs to unwind these interest rate swap contracts are nominal as at December 31, 1999 (1998 – $1.5 million).

The Corporation has also entered into interest rate cap contracts expiring between March 2000 and November 2000 on $111.0 million of U.S. dollar variable rate debt which limits the underlying London Interbank Offered Rate ("LIBOR") to between 6.57% and 8% (7.12% on a weighted average basis). At December 31, 1999, the three-month LIBOR rate was 6.0%.

b. Other Loans

Included in Other loans are the following:

- C$275 million, 6.10% unsecured debentures due September 1, 2000 (1999 – $190.1 million, 1998 – $179.6 million).
- C$250 million, 6.00% unsecured debentures due September 3, 2002 (1999 – $172.8 million, 1998 – $163.2 million).
- C$125 million, 7.45% unsecured debentures due June 1, 2004 (1999 – $86.4 million, 1998 – $81.6 million).
- $167.5 million, 10.875% Senior Notes due October 15, 2005 (1998 – $167.5 million). The Senior Notes, which are unconditionally guaranteed by TrizecHahn Holdings Ltd. ("Trizec"), a wholly owned subsidiary of the Corporation, are redeemable at the option of the Corporation on or after October 15, 2000.
- C$175 million, 7.95% unsecured debentures due June 1, 2007 (1999 – $121.0 million, 1998 – $114.3 million).

The Corporation has entered into interest rate swap contracts on $207.4 million (C$300 million) of debt included in other loans, effectively converting the debt from fixed rate into variable rate debt maturing in June 2004 and June 2007. In addition the Corporation entered into interest rate cap contracts on this debt which limits the underlying Canadian Bankers' Acceptance Rate ("BA") to 6%. However, these contracts contain knockout clauses which leave the Corporation without interest rate protection should underlying BA rates exceed the knockout rate of 9%. As at December 31, 1999, the fair value of these contracts to the Corporation is estimated to be $1.8 million (1998 – $12.5 million). At December 31, 1999, the three-month BA rate was 5.15%.

c. Principal Repayments

Principal repayments of debt are due as follows:

	U.S. dollar denominated debt	CDN. dollar denominated debt	**Total debt**
Years ending December 31, 2000	$ 497.5	236.6	**734.1**
2001	538.6	130.8	**669.4**
2002	190.4	387.1	**577.5**
2003	314.3	42.5	**356.8**
2004	739.6	111.4	**851.0**
Subsequent to 2004	891.5	414.7	**1,306.2**
	$ 3,171.9	1,323.1	**4,495.0**

Included in principal repayments for the year ending December 31, 2000 is $343 million drawn on a credit facility which matures November 9, 2000. This facility has a 12-month extension option at the Corporation's discretion.

The various debt arrangements of the Corporation contain certain covenants including limitations on additional indebtedness or distributions of dividends in respect of capital stock subject to the maintenance of certain financial ratios.

The estimated fair value of the Corporation's long-term debt approximates its carrying value as at December 31, 1999.

d. Interest Charges

Interest charges consist of:

For the years ended December 31	**1999**	1998	1997
Interest cost, gross	**$ (317.8)**	(280.9)	(217.9)
Interest capitalized to properties under development	**30.1**	23.7	12.6
Interest expense	**(287.7)**	(257.2)	(205.3)
Interest income	**15.7**	26.4	19.2
Interest expense, net	**$ (272.0)**	(230.8)	(186.1)

e. Available Lines of Credit

At December 31, 1999, property collateralized credit facilities in the amount of $240 million were undrawn and available.

6. EXCHANGEABLE DEBENTURES

	1999	1998
Carrying amount:		
$409 million, due 2024	**$ 379.1**	–
$275 million, due 2021	**156.9**	172.9
$600 million, due 2018	**–**	417.9
	536.0	590.8
Deferred amount	**354.9**	284.2
	$ 890.9	875.0

The exchangeable debentures are subject to exchange and redemption rights, but otherwise are required to be repaid in full at maturity. The Corporation's obligation related to any exchange or redemption of the exchangeable debentures prior to or at maturity can be satisfied through delivery of the cash equivalent of the current market value of Barrick shares at the time of

redemption or exchange, the Barrick shares, or any combination thereof. Satisfaction of the liability with cash would retain the potential benefit of future equity appreciation related to the Barrick shares for the period subsequent to the retirement. The exchangeable debentures are direct unsubordinated obligations of the Corporation.

The carrying amount of the exchangeable debentures is based on the market price, on the balance sheet date, of the underlying Barrick shares that could be exchanged to extinguish the debenture liability, and approximates their fair market value.

a. $409 million Exchangeable Debentures

In March 1999, the Corporation issued two series of exchangeable debentures aggregating $409 million due March 12, 2024. The net proceeds from the issues amounting to $404.8 million were used to redeem for cash the $600 million exchangeable debentures due 2018 (6c below). Interest is payable semi-annually at a rate calculated by reference to the dividend rate on the underlying Barrick shares plus 1.35%. Each $1,000 principal amount of debentures is exchangeable by the holder for 52.4162 Barrick shares or, at the option of the Corporation, payment of the cash equivalent of the current market value of such Barrick shares with accrued interest payable in cash. Subject to certain exceptions, a holder exchanging these debentures prior to March 12, 2023 will be required to pay an early exchange premium of $13.50 per $1,000 principal amount.

The debentures are redeemable at any time by the Corporation prior to maturity at a price equal to the principal amount plus accrued interest. Subject to certain exceptions, if the Corporation redeems the debentures prior to March 12, 2023, it will be required to pay a holder an early redemption premium of $13.50 per $1,000 principal amount.

As of December 31, 1999, the Corporation has placed with a trustee 21,428,580 Barrick shares as collateral for its exchange obligation. This represents the maximum number of Barrick shares that are required to be pledged as collateral under this issue.

b. $275 million exchangeable debentures

In January 1996, the Corporation issued $275 million of 3% Debentures due January 29, 2021. The net proceeds from the issue amounted to $264 million. Interest is payable semi-annually. Each $1,000 principal amount of 3% Debentures is exchangeable at the option of the holder for 32.2581 common shares of Barrick, without payment of accrued interest. The 3% Debentures are redeemable at the option of the Corporation on or after January 29, 2006 at a price equal to the principal amount plus accrued interest. Upon notice of redemption by the Corporation or within 30 days prior to maturity, the holder has the option to exchange each $1,000 principal amount for 32.2581 Barrick common shares, plus accrued interest payable in cash. As of December 31, 1999, the Corporation has placed with a trustee 8,870,978 Barrick shares as collateral for its exchange obligation. This represents the maximum number of Barrick shares that are required to be pledged as collateral under this issue.

c. $600 million Exchangeable Debentures

In December 1993, the Corporation issued $600 million of 3 1/4% Debentures due December 10, 2018 with interest payable semi-annually. Each $1,000 principal amount of 3 1/4% Debentures was exchangeable at the option of the holder for 32.4675 common shares of Barrick, without payment of accrued interest. The 3 1/4% Debentures were redeemable at the option of the Corporation on or after December 10, 1998, at a price equal to the principal amount plus accrued interest. Upon notice of redemption by the Corporation or within 30 days prior to maturity, the holder had the option to exchange each $1,000 principal amount for between 32.4675 and 35.7143 Barrick common shares (depending upon the current market value of Barrick shares at such time), plus accrued interest payable in cash.

In March 1999, the Corporation redeemed for cash the $600 million 3 1/4% debentures at a price of $654.86 for every $1,000 principal amount, plus accrued interest for a total redemption price of $392.9 million. The deferred gain on redemption, which amounted to $207 million, is recorded as a deferred amount until such time as there is a realization on the disposition of the underlying Barrick shares.

7. INCOME AND OTHER CORPORATE TAXES

a. The provision for income and other corporate taxes from continuing operations is as follows:

For the years ended December 31	1999	1998	1997
Income tax:			
Current	$ **(5.0)**	(0.6)	(0.2)
Deferred – operations	**(62.2)**	(53.8)	(38.3)
– loss (gain) on sale of properties, net	**16.3**	(182.9)	–
– gain on sale of Barrick shares	**–**	(50.8)	–
Incremental withholding taxes – reorganization (Note 9)	**(7.6)**	–	–
Other corporate tax – current	**(6.7)**	(6.3)	(4.2)
Utilization of tax-loss carry-forwards – Clark	**–**	–	23.1
Total tax expense	$ **(65.2)**	(294.4)	(19.6)

b. The provision for income taxes on income from continuing operations differs from the provision computed at statutory rates as follows:

For the years ended December 31	1999	1998	1997
Income tax expense computed at Canadian combined federal and provincial statutory rates	$ **(71.1)**	(367.7)	(37.9)
Foreign operations taxed at lower rates	**7.2**	39.3	6.4
Losses not tax effected	**(34.9)**	(13.9)	(9.3)
Utilization of tax-loss carry-forwards	**44.8**	66.5	–
Foreign withholding taxes	**(7.6)**	–	–
Tax on large corporations	**(3.2)**	(2.9)	(2.1)
State and other capital taxes	**(3.5)**	(3.4)	(2.1)
Permanent differences on sale of investment	**–**	(13.7)	–
Utilization of tax-loss carry-forwards – Clark	**–**	–	23.1
Other	**3.1**	1.4	2.3
Total tax expense	$ **(65.2)**	(294.4)	(19.6)

c. At December 31, 1999, the Corporation had tax-loss carry-forwards for Canadian income tax purposes available to reduce future Canadian taxable income, the potential benefits of which have not been recognized in the accounts. These tax-loss carry-forwards expire as follows:

Years ending December 31, 2000	$ 1.3
2001	2.0
2002	24.0
2003	5.5
2004	15.8
2005	1.3
2006	1.0
	$ 50.9

In addition, there are also capital losses available for Canadian income tax purposes amounting to approximately $16 million that can be carried forward indefinitely to apply against future capital gains. These amounts have not been recognized in the accounts.

In the United States, at December 31, 1999, the Corporation had approximately $272.0 million in net operating losses available for utilization in future years, for which the potential benefits have been recorded in the balance sheet as a reduction of deferred income tax liabilities. These losses are available to be utilized against cash taxes otherwise payable in future years.

8. SHAREHOLDERS' EQUITY

	1999	1998
Share capital	**$ 1,286.4**	1,166.6
Foreign currency translation adjustment	**(98.3)**	(87.0)
Retained earnings	**1,037.0**	1,019.5
	$ 2,225.1	2,099.1

a. Share Capital

At December 31, 1999, the authorized share capital of the Corporation consisted of:

- an unlimited number of preferred shares, issuable in one or more series;
- an unlimited number of subordinate voting shares without par value, carrying one vote per share; and
- 7,522,283 multiple voting shares without par value, carrying 50 votes per share. Pursuant to a trust agreement, the holder of all of the multiple voting shares has agreed not to vote more than that number of multiple voting shares carrying votes in the aggregate that represent a simple majority of all votes entitled to be cast on a matter by all holders of voting securities of TrizecHahn in the aggregate.

At December 31, 1998, 13,976,997 warrants were outstanding. During the year, 13,771,042 of these warrants were exercised at a price of C$14.14 each, resulting in the issuance of 7,987,213 subordinate voting shares of the Corporation for a total cash consideration of approximately $132.7 million. The balance of the warrants expired without being exercised.

b. Issued and Outstanding Share Capital

The number of shares and warrants issued and outstanding (in millions) was as follows:

	Voting Shares				
	Subordinate	Multiple	Total	Warrants	Amount
DECEMBER 31, 1996	129.8	7.5	137.3	14.0	$ 870.3
Issued during 1997					
– on exercise of stock options	1.4	–	1.4	–	15.4
– issue of shares for cash	8.6	–	8.6	–	163.7
– in exchange for Advanta properties	5.5	–	5.5	–	114.7
DECEMBER 31, 1997	145.3	7.5	152.8	14.0	1,164.1
Issued (cancelled) during 1998					
– on exercise of stock options	0.6	–	0.6	–	8.1
– shares purchased for cancellation	(0.7)	–	(0.7)	–	(5.6)
DECEMBER 31, 1998	145.2	7.5	152.7	14.0	1,166.6
Issued (cancelled) during 1999					
– on exercise of stock options	0.3	–	0.3	–	3.6
– shares purchased for cancellation	(2.2)	–	(2.2)	–	(16.5)
– on exercise of warrants	8.0	–	8.0	(14.0)	132.7
DECEMBER 31, 1999	151.3	7.5	158.8	–	$ 1,286.4

On April 21, 1997, the Corporation acquired a number of real estate development projects in the United Kingdom and Germany from Advanta Management AG, a third party. The Corporation paid for these projects through the issuance of approximately 5.5 million subordinate voting shares of the Corporation and the assumption of certain development liabilities and construction financing. The acquisition was recorded at $153.0 million with a value ascribed to these shares of $114.7 million.

On April 30, 1997, the Corporation issued 8.6 million subordinate voting shares at a price of U.S.$20 per share representing gross proceeds to the Corporation of $172.5 million and net proceeds of $163.7 million.

In September 1998, the Corporation commenced a program to acquire subordinate voting shares for cancellation. During the year ended December 31, 1999, 2.2 million (1998 – 0.7 million) subordinate voting shares were purchased for cancellation at an average cost of $18.75 per share or $40.6 million (1998 – $18.93 per share or $14.1 million). The excess of the purchase cost over the average paid-in amount in 1999 was $11.14 per share or $24.1 million (1998 – $11.43 per share or $8.5 million) and was charged to retained earnings.

c. Share Purchase Options

The Corporation has a stock option plan in which options may be granted to directors, officers and key employees to purchase up to 18,214,629 subordinate voting shares of the Corporation at prices, in Canadian dollars, which are not below the market price of the shares at the time of the granting of the options. There are stock options outstanding, expiring at various dates to December 2006, with a weighted average number of years remaining at December 31, 1999 of 4.7 years. Options are granted from time to time and vest over a four-year period. Changes in the granted and outstanding share options were as follows:

(millions of options)	**1999**	1998	1997
OUTSTANDING AT BEGINNING OF YEAR	**13.9**	12.8	9.6
Granted at a weighted average price of C$26.87 per share (1998 – C$31.43, 1997 – C$33.19)	**2.8**	2.0	4.7
Cancelled at a weighted average price of C$30.85 per share (1998 – C$32.28, 1997 – C$18.72)	**(1.2)**	(0.3)	(0.1)
Exercised at a weighted average price of C$21.12 per share (1998 – C$18.05, 1997 – C$15.30)	**(0.3)**	(0.6)	(1.4)
OUTSTANDING AT END OF YEAR – weighted average price of C$26.74 (1998 – C$26.98, 1997 – C$25.92)	**15.2**	13.9	12.8
OUTSTANDING AT END OF YEAR CONSISTS OF:			
Price range C$15.00 – C$22.00; weighted average C$16.96 (1998 – C$17.01, 1997 – C$17.12); weighted average remaining life of 3.3 years at December 31, 1999	**4.0**	4.3	5.0
Price range C$24.40 – C$35.80; weighted average C$30.26 (1998 – C$31.43, 1997 – C$31.48); weighted average remaining life of 5.2 years at December 31, 1999	**11.2**	9.6	7.8
	15.2	13.9	12.8
EXERCISABLE AT END OF YEAR CONSISTS OF:			
Price range C$15.00 – C$22.00; weighted average C$16.95 (1998 – C$16.95, 1997 – C$16.90)	**4.0**	4.1	4.0
Price range C$24.40 – C$35.80; weighted average C$31.01 (1998 – C$30.68, 1997 – C$28.85)	**4.4**	2.7	0.7
	8.4	6.8	4.7

d. Dividends and Dividend Restrictions

In 1999, the Corporation declared and paid dividends in United States dollars of $0.35 per share (1998 – $0.30 per share, 1997 – $0.25 per share). The various debt arrangements of Trizec, a direct wholly-owned subsidiary of the Corporation, contain certain covenants including limitations on payment of dividends.

e. Foreign Currency Translation Adjustment

For the years ended December 31		1999	1998	1997
Beginning of year	$	**(87.0)**	(55.4)	(34.8)
Changes in exchange rate on net investment		**(11.5)**	(39.2)	(20.8)
Exchange rate changes on current period transactions		**0.2**	(0.9)	0.2
Recognized – Barrick investment (see below)		**–**	8.5	–
End of year	$	**(98.3)**	(87.0)	(55.4)

The balance in the foreign currency translation adjustment account includes historic amounts related to the Corporation's translation of its Barrick investment during prior periods, which at December 31, 1999 amounted to $9.2 million (1998 – $9.2 million, 1997 – $17.7 million). This amount would be recognized as an expense, proportionately, when there is a reduction in the Corporation's net investment in Barrick.

9. LOSS ON EARLY DEBT RETIREMENT AND REORGANIZATION COSTS

For the years ended December 31		1999	1998	1997
Loss on early debt retirement	$	**(20.0)**	–	(25.1)
Reorganization costs		**(6.4)**	–	–
	$	**(26.4)**	–	(25.1)

In March 1999, the Corporation redeemed for cash, the $600 million of 3 1/4% exchangeable debentures due December 10, 2018. As a consequence of this early retirement, the Corporation charged to income the remaining unamortized deferred financing costs amounting to $20 million.

During 1999, the Corporation incurred $6.4 million of incremental professional advisory fees and $7.6 million of incremental withholding taxes (Note 7) in order to explore certain strategic transactions and to optimize its corporate structure for tax purposes.

On June 30, 1997 the Corporation redeemed, pursuant to their terms, $82.5 million principal amount of 10.875% Senior Notes due October 2005. On August 5, 1997 the Corporation retired the indebtedness related to the Place Ville Marie office complex in Montreal, Quebec. As a consequence of these early retirements, the Corporation paid redemption premiums resulting in a charge to income of $25.1 million.

10. SEGMENTED INFORMATION

The Corporation is a fully integrated real estate operating and development company focused in the United States, Canada and Europe. Its activities include the acquisition, development and operation of rental properties, consisting of office properties and mixed-use centers.

Separate management groups head the combined United States and Canada office segment, and the U.S. retail development segment. In 1998 the Corporation sold its U.S. retail operating properties, expanding its focus to the development of retail and entertainment-oriented properties in Europe. European operations are directed by a separate management group. The accounting policies of the segments are the same as those described for the Corporation in Note 1, "Significant Accounting Policies". The Corporation primarily evaluates operating performance based on rental income. All key financing, investing and capital allocation decisions, including tax planning, are corporately managed. The following presents information by reportable segment for the years ended December 31, 1999, 1998 and 1997.

	United States						Canada			Total		
	Office			Retail and Other			Office					
For the years ended December 31	**1999**	1998	1997	**1999**	1998	1997	**1999**	1998	1997	**1999**	1998	1997
RENTAL OPERATIONS												
Revenue	**$ 872.7**	533.8	285.0	**25.7**	170.7	231.1	**290.4**	259.0	197.6	**1,188.8**	963.5	713.7
Operating costs	**(381.8)**	(234.0)	(135.9)	**(11.5)**	(62.8)	(88.6)	**(142.8)**	(124.3)	(93.1)	**(536.1)**	(421.1)	(317.6)
Rental income	**$ 490.9**	299.8	149.1	**14.2**	107.9	142.5	**147.6**	134.7	104.5	**652.7**	542.4	396.1
General and administrative expense										**(38.2)**	(35.4)	(29.4)
Interests expense, net										**(272.0)**	(230.8)	(186.1)
REAL ESTATE OPERATING INCOME										**342.5**	276.2	180.6
Current taxes										**(11.7)**	(6.9)	(4.4)
CASH FLOW FROM REAL ESTATE OPERATIONS										**$ 330.8**	269.3	176.2

A reconciliation of Real estate operating income to Net income is not considered necessary as all other line items on the face of the income statement are not allocated by the Corporation to defined segments.

	United States				Europe		Canada		Total	
	Office		Retail		Retail and Mixed-use		Office and Corporate			
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998
ASSETS										
Properties	**$ 5,199.3**	4,396.5	**284.3**	289.2	**554.4**	336.3	**1,430.0**	1,288.8	**7,468.0**	6,310.8
Investments and other assets	**217.2**	185.6	**25.5**	29.5	**29.4**	27.5	**456.9**	599.9	**729.0**	842.5
	$ 5,416.5	4,582.1	**309.8**	318.7	**583.8**	363.8	**1,886.9**	1,888.7	**8,197.0**	7,153.3
Cash and short-term investments									**263.3**	488.5
TOTAL ASSETS									**$8,460.3**	7,641.8

For the years ended December 31	1999	1998	1997
NET PROPERTY INVESTING ACTIVITIES			
United States			
Office	**$ 828.9**	2,129.9	560.9
Retail	**117.9**	(1,050.6)	76.3
Europe			
Retail and mixed-use	**191.2**	116.1	28.5
Canada			
Office and corporate	**85.4**	506.3	65.3
	$ 1,223.4	1,701.7	731.0

11. JOINT VENTURES

In its real estate operations, the Corporation participates in incorporated and unincorporated joint ventures and partnerships with other venturers in various properties which are accounted for using the proportionate consolidation method. The consolidated financial statements include the Corporation's proportionate share of assets, liabilities, revenue, expenses and cash flow. During 1998 the Corporation sold several retail properties which were operated as joint ventures.

a. The following amounts represent the total assets and liabilities of joint ventures in which the Corporation participates and its proportionate share of the assets and liabilities.

	Total		Proportionate Share	
	1999	1998	**1999**	1998
Assets	**$ 2,156.6**	1,620.8	**1,093.1**	827.1
Liabilities	**1,108.9**	773.2	**543.4**	385.7

b. The following summary presents the Corporation's proportionate share of revenue, expenses and cash flows of joint ventures in which the Corporation participates.

For the years ended December 31	1999	1998	1997
Revenue	**$ 112.1**	172.6	221.9
Expenses	**(83.4)**	(132.0)	(161.8)
Cash flow from (applied to):			
Operating activities	**39.1**	45.6	71.4
Financing activities	**99.2**	37.0	143.0
Investing activities	**(145.0)**	(110.1)	(308.9)

c. The Corporation is contingently liable for obligations of its partners in such joint ventures. In each case, all of the assets of the joint venture are available for the purpose of satisfying such obligations. At December 31, 1999, the Corporation has guaranteed or is otherwise liable for approximately $43 million (December 31, 1998 – $5 million) of its partners' share of recourse property debt.

Notes to the Consolidated Financial Statements

12. CONTINGENCIES

a. On August 4, 1998, a third party general contractor served a notice of arbitration to a wholly owned subsidiary of the Corporation in connection with the development of Number One Poultry in London, England. The Corporation's ownership interest in Number One Poultry was acquired in 1997 from Advanta Management AG, a third party. The dispute with the third party general contractor relates to a £32.4 million ($52.4 million) fixed price construction contract for Number One Poultry. In its claim for approximately £26.0 million ($42.1 million) plus interest, in addition to the fixed price amount, the third party general contractor lists disputes relating to cost overruns, changes in scope of the contract, various change orders and other matters. The Corporation will dispute these matters and expects to counter claim for liquidated damages due to the delayed construction completion date. At this stage in the arbitration process the ultimate outcome is not determinable. If the contractor is successful in recovering any amount as a result of this action, this amount would be recorded as an additional capital cost of the building, and assessed for recoverability over the estimated useful life of the property at that time.

b. The Corporation is contingently liable under guarantees that are issued in the normal course of business, and with respect to other litigation and claims that arise from time to time. While the final outcome with respect to claims and litigation pending at December 31, 1999, cannot be predicted with certainty, in the opinion of management any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial position or results of operations of the Corporation.

c. The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Corporation, including those related to customers, suppliers or other third parties, have been fully resolved.

13. DIFFERENCES FROM UNITED STATES ACCOUNTING PRINCIPLES

Canadian GAAP varies in certain significant respects from the principles and practices generally accepted in the United States as described below. The approximate effect of these principal differences on the Corporation's balance sheets and statements of income are quantified below and described in the accompanying notes. There are no differences which affect the statements of cash flows.

I. INCREMENTAL IMPACT ON NET INCOME

For the years ended December 31	Note	1999	1998	1997
INCOME FROM CONTINUING OPERATIONS AS REPORTED		**$ 94.0**	529.5	65.9
Building depreciation	a	**(87.7)**	(45.2)	(47.7)
Gain (loss) on sale of properties, net	b	**–**	57.4	–
Revenue recognition	c	**24.6**	14.3	4.5
Gain on sale of Barrick shares	d	**–**	(24.5)	–
Loss on early debt retirement	e	**20.0**	–	25.1
Deferred income taxes	f	**18.9**	147.6	60.0
INCOME FROM CONTINUING OPERATIONS UNDER U.S. GAAP		**69.8**	679.1	107.8
LOSS FROM DISCONTINUED OPERATIONS AS REPORTED		**–**	–	(18.1)
Deferred income taxes		**–**	–	23.1
INCOME FROM DISCONTINUED OPERATIONS UNDER U.S. GAAP		**–**	–	5.0
INCOME UNDER U.S. GAAP BEFORE EXTRAORDINARY ITEM		**69.8**	679.1	112.8
Loss on early debt retirement	e	**(20.0)**	–	(25.1)
NET INCOME UNDER U.S. GAAP		**$ 49.8**	679.1	87.7
PER SHARE AMOUNTS	h			
Income per share from continuing operations				
Basic		**$ 0.45**	4.44	0.73
Diluted		**$ 0.44**	4.33	0.71
Income per share before extraordinary item				
Basic		**$ 0.45**	4.44	0.76
Diluted		**$ 0.44**	4.33	0.74
Net income per share				
Basic		**$ 0.32**	4.44	0.59
Diluted		**$ 0.32**	4.33	0.57
Weighted average number of shares outstanding during the year (in millions)				
Basic		**155.3**	153.0	147.7
Diluted		**157.7**	157.0	152.6

The principal differences itemized above are all non-cash in nature and do not impact the presentation of cash flow from real estate operations.

Notes to the Consolidated Financial Statements

II. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. GAAP requires that a Statement of Comprehensive Income be presented reporting the non-shareholder related transactions that have affected shareholders' equity during the period.

For the years ended December 31	Note	1999	1998	1997
NET INCOME UNDER U.S. GAAP		**$ 49.8**	679.1	87.7
Other comprehensive income items, before tax				
Foreign currency translation adjustment (Note 8e)		**(11.3)**	(40.1)	(20.6)
Foreign currency translation recognized in net income (Note 8e)		**–**	8.5	–
Unrealized gains (loss) on investment in Barrick	d	**(54.9)**	45.2	(588.8)
Realized gains included in net income on investment in Barrick	d	**–**	(253.0)	–
Comprehensive income (loss) before tax		**(16.4)**	439.7	(521.7)
Tax effect on other comprehensive income items		**18.4**	68.5	196.8
COMPREHENSIVE INCOME (LOSS)		**$ (2.0)**	508.2	(324.9)

III. CONSOLIDATED BALANCE SHEETS

The incorporation of the differences in accounting principles into the consolidated balance sheets as at December 31, 1999 and December 31, 1998 results in the following balance sheets presented under U.S. GAAP.

	1999	1998
Properties	**$ 7,352.2**	6,276.1
Cash and cash equivalents	**263.3**	488.5
Investments	**657.2**	858.1
Other assets	**432.9**	348.4
	$ 8,705.6	7,971.1
Long-term debt	**$ 4,495.0**	3,987.4
Exchangeable debentures	**890.9**	875.0
Accounts payable and accrued liabilities	**487.7**	364.6
Deferred income taxes	**495.0**	452.4
Shareholders' equity	**2,337.0**	2,291.7
	$ 8,705.6	7,971.1

The following is a reconciliation of Shareholders' Equity incorporating the differences between Canadian and U.S. GAAP.

	Note	1999	1998
Shareholders' equity under Canadian GAAP		**$ 2,225.1**	2,099.1
Cumulative adjustments to net income		**(36.8)**	7.4
Investment in Barrick – cumulative effect on comprehensive income	d	**148.7**	185.2
Shareholders' equity under U.S. GAAP		**$ 2,337.0**	2,291.7

IV. NOTES TO THE DIFFERENCES FROM U.S. ACCOUNTING PRINCIPLES

a. **Building depreciation** – Rental properties are depreciated using the sinking fund method whereas under U.S. GAAP, rental properties are depreciated on a straight-line basis, generally over 40 years. In computing depreciation on a straight-line basis, an estimated salvage value of 5% of building cost is used and a "half year" convention is applied to additions.

b. **Gain (loss) on sale of properties, net** – The additional accumulated depreciation related to rental properties disposed of during 1998 reduced their net book value under U.S. GAAP by $57.4 million, resulting in an increase in the gain on disposition of rental properties.

c. **Revenue recognition** – Rental revenue from an operating lease is recognized as income over the term of the lease as it becomes due. Increases in rent are included in revenue as earned as they are designed to account for the impact of inflation. Under U.S. GAAP the straight-line method is used based on the known amount of cash to be received over the term of the lease. The difference between the amount recorded under the straight-line method and the rent received or due is recorded in "Other Assets".

d. **Investment in Barrick** – For U.S. GAAP purposes, the investment in Barrick is considered an investment "available for sale" and is required to be carried at market value. The quoted market value for the remaining investment was approximately $536 million at December 31, 1999 (1998 – $591 million, 1997 – $1.1 billion), resulting in a cumulative increase to shareholders' equity of $148.7 million (1998 – $185.2 million, 1997 – $324.5 million), net of a deferred tax liability of $74.8 million (1998 – $93.2 million, 1997 – $161.7 million).

The U.S. GAAP book value of the Barrick shares includes a 1994 dilution gain based on the U.S. GAAP method of valuing shares issued as consideration. This difference reduced the gain on sale of Barrick shares in 1998 by $24.5 million. At December 31, 1999, the U.S. GAAP book value of the Barrick shares includes $26.3 million (1998 - $26.3 million) in respect of this dilution gain.

Changes in quoted market value of an available for sale investment are reflected in comprehensive income. When a realization takes place the gain or loss is removed from comprehensive income and recorded in net income.

e. **Loss on early debt retirement** (Note 9) – Under U.S. GAAP, prepayment premiums, the write-off unamortized deferred financing costs and other costs for the early retirement of debt are considered extraordinary items. Under Canadian GAAP, such items are included in income from continuing operations.

f. **Deferred income taxes** – Under Canadian GAAP, the deferral method of accounting for income taxes is followed. Under U.S. GAAP, the liability method of accounting for income taxes is followed. U.S. GAAP requires that when assets are acquired in a business combination which do not involve the recognition of goodwill, or other than in a business combination and the tax basis of that asset is less than, or greater than, its cost, the cost, or benefit, of future income taxes recognized at the time of acquisition should be added to the cost of the asset. In Canada, such differences are taken into account in determining values.

During the period, the Corporation continued to develop and proceeded with certain tax planning strategies that make it more likely than not that the Corporation will be able to realize its deferred tax assets.

In 1997, under Canadian GAAP, the Corporation included $23.1 million related to the utilization of the benefit of tax losses in continuing operations. Under U.S. GAAP this amount is included in income from discontinued operations. In addition, the Corporation executed tax restructurings which resulted in a reduction of the deferred tax liability, related to its investment in Barrick, in the amount of $71.4 million. This reduction in the deferred tax liability was recognized in income in 1997 for U.S. GAAP and was recognized as part of the gain on sale of the unencumbered investment in Barrick in 1998 under Canadian GAAP.

The deferred tax assets (liabilities) of the Corporation under U.S. GAAP are as follows:

	1999	1998
Canada and other		
Operating and capital losses	**$ 62.6**	32.5
Investments, properties and related assets	**(199.2)**	(150.7)
	(136.6)	(118.2)
United States		
Operating losses	**107.3**	91.2
Properties and related assets	**(465.7)**	(425.4)
	(358.4)	(334.2)
	$ (495.0)	(452.4)

g. **Proportionate consolidation** – The accounts of all incorporated and unincorporated joint ventures and partnerships are proportionately consolidated according to the Corporation's ownership interest. Under U.S. GAAP, proportionate consolidation is not permitted for joint ventures and the cost, equity or full consolidation methods of accounting must be followed, as appropriate. As permitted by the United States Securities and Exchange Commission, the effects of this difference in accounting principles is not reflected above.

h. **Per share amounts** – Under U.S. GAAP diluted earnings per share is calculated using the treasury stock method to determine if the outstanding stock options and warrants are dilutive. Canadian GAAP uses an imputed earnings approach to determine dilution.

i. **Accounting for stock options** (Note 8) – The Corporation accounts for its stock compensation using the intrinsic value method. U.S. GAAP requires companies that follow this method to disclose the cost of stock compensation awards at their fair value, at the date the award is granted. The weighted average fair value of the options issued by the Corporation during 1999 is $4.97 per option (1998 – $5.73 per option, 1997 – $7.62 per option) based on a Black-Scholes model using the following assumptions: a four year expected term; a 26% to 27% expected volatility (1998 – 25% to 27%, 1997 – 28% to 37%); an expected dividend consistent with the current year actual dividend per share; and, an expected interest rate of 4.8% to 6.0% (1998 – 4.2% to 5.7%, 1997 – 5.1% to 5.9%). Under U.S. GAAP, the pro forma cost of stock option compensation for the period ending December 31, 1999 would be $17.2 million (1998 – $14.7 million, 1997 – $8.6 million). This would result in net income of $32.6 million or net income of $0.21 per share (1998 – net income $664.4 million or net income of $4.34 per share, December 31, 1997 – net income of $79.1 million or net income of $0.54 per share).

j. **Recent accounting pronouncements** – In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133", which deferred the required date of adoption of SFAS No. 133 for one year, to fiscal years beginning after June 15, 2000. This standard is applicable for the Corporation's 2001 fiscal year and currently its impact, if any, has not been determined.

Management's Responsibility for Financial Information

The Corporation's consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the Board of Directors and management of the Corporation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information.

The Corporation has developed and maintains a system of internal accounting controls in order to assure, on a reasonable and cost effective basis, the reliability of its financial information. The system is monitored by the Corporation's internal audit department and reviewed by the Audit Committee of the Board of Directors. The Corporation's chief internal auditor evaluates and reports on the effectiveness of the control system both to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Auditors' Report

To the Shareholders of TrizecHahn Corporation

We have audited the consolidated balance sheets of TrizecHahn Corporation as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1999 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada
February 4, 2000

Shareholder Information

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Fax: (416) 364-1503
E-mail: info@trizechahn.com
Web site: www.trizechahn.com

Contact
Tabb O. Davis
Vice President, Investor Relations and
Corporate Communications

Stock Exchange Listings
New York
Toronto

Trading Symbol
TZH

Index Listings
TSE 300
TSE Real Estate Index
Wilshire Real Estate Securities Index

Shares (millions)

Outstanding at December 31, 1999	
Subordinate Voting	151.3
Multiple Voting	7.5
Total	158.8
Weighted average	
Basic	155.3
Fully diluted (net income)	170.4
Fully diluted (FFO)	173.1

Closing Price of Shares

At December 31, 1999		
New York Stock Exchange	U.S.$	16.88
The Toronto Stock Exchange	C$	24.25

Share Trading by Quarter

	New York Stock Exchange			The Toronto Stock Exchange		
1999	Share Volume (millions)	High	Low	Share Volume (millions)	High	Low
First	**9.9**	**U.S.$21.88**	**U.S.$18.06**	**16.8**	**C$32.60**	**C$27.00**
Second	**11.3**	**22.81**	**18.06**	**16.7**	**33.40**	**26.90**
Third	**7.6**	**20.56**	**18.19**	**20.7**	**30.60**	**27.50**
Fourth	**10.5**	**20.06**	**15.50**	**11.0**	**29.60**	**22.85**
For the year	**39.3**	**22.81**	**15.50**	**65.2**	**33.40**	**22.85**
1998						
First	10.4	U.S.$25.13	U.S.$21.75	18.2	C$36.00	C$31.20
Second	8.9	24.69	20.50	14.5	34.85	29.90
Third	14.0	21.50	16.63	18.6	34.95	25.65
Fourth	7.1	21.63	16.13	15.9	32.95	25.25
For the year	40.4	25.13	16.13	67.2	36.00	25.25
1997						
First	14.0	U.S.$24.88	U.S.$21.38	15.5	C$33.50	C$29.10
Second	13.4	22.88	20.00	17.7	32.10	27.85
Third	14.8	25.81	20.75	16.9	37.80	28.75
Fourth	7.9	27.56	22.25	11.2	35.90	32.20
For the year	50.1	27.56	20.00	61.3	37.80	27.85

Form 40-F

The annual report on Form 40-F is filed with the United States Securities and Exchange Commission. This report will be made available to shareholders, without charge, upon written request to the Corporate Secretary of TrizecHahn.

Transfer Agent and Registrar

Investors are encouraged to contact our Transfer Agent and Registrar, CIBC Mellon Trust Company, for information regarding their security holdings at:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Answerline™: (416) 643-5500
Toll free throughout North America: (800) 387-0825
E-mail: inquiries@cibcmellon.ca

Annual Meeting

The Annual Meeting of Shareholders will be held on Wednesday, May 3, 2000 at 11:00 a.m. in the Canadian Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario.

Directors and Officers

Directors

Howard L. Beck, Q.C. (a) (b)
Toronto, Ontario
Chairman
Wescam Inc.

C. William D. Birchall (c)
London, England
Vice Chairman
TrizecHahn Corporation

Willard J. L'Heureux
Budapest, Hungary
Executive Director
TrizecHahn Corporation

The Right Honourable Brian Mulroney (b)
Montreal, Quebec
Senior Partner
Ogilvy Renault

Peter Munk (c)
Toronto, Ontario
Chairman and
Chief Executive Officer
TrizecHahn Corporation

Jeremiah W. O'Connor, Jr. (c)
Bronxville, New York
Chairman and
Chief Executive Officer
The O'Connor Group

Karl Otto Pöhl
Frankfurt, Germany
President of Deutsche Bundesbank (ret.)

Thomas S. Quinn, III (a) (c)
New York, New York
Managing Director
J.P. Morgan Capital Corporation

Joseph L. Rotman (a)
Toronto, Ontario
Chairman and
Chief Executive Officer
Clairvest Group Inc.

Glenn J. Rufrano (b) (c)
Bellmore, New York
President and
Chief Operating Officer
The O'Connor Group

Peter C.C. Sidebottom
London, England
Managing Director, Europe

Gregory C. Wilkins (c)
Toronto, Ontario
President and
Chief Operating Officer
TrizecHahn Corporation

Richard M. Thomson
Toronto, Ontario
Corporate Director

(a) Member of the Audit Committee
(b) Member of the Compensation, Nominating and Corporate Governance Committee
(c) Member of the Executive Committee

Officers

Peter Munk
Chairman and
Chief Executive Officer

C. William D. Birchall
Vice Chairman

Gregory C. Wilkins
President and
Chief Operating Officer

Jason A.J. Morsink
Executive Vice President,
e-Business

Richard J. Steets
Executive Vice President,
Corporate Development

Gregory W. Sullivan
Executive Vice President and
Chief Financial Officer

J. Douglas Bradley
Managing Director,
Corporate Development

Robin A. Campbell
Senior Vice President,
General Counsel

Colin J. Chapin
Senior Vice President,
Taxation

Luigi L. Favit
Senior Vice President and
Controller

Norman W.V. Purves
Senior Vice President,
Development

Robert B. Wickham
Senior Vice President, Finance

Peter M. Ballon
Vice President,
Corporate Development

Theodore W. Chivers
Vice President,
Human Resources

Tabb O. Davis
Vice President,
Investor Relations and
Corporate Communications

Sari L. Diamond
Vice President and
Corporate Secretary

Joanne E. Ranger
Vice President and
Assistant Controller

Michael R. Laplante
Treasurer

Corporate Information

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Casey R. Wold
President

Antonio A. Bismonte
Executive Vice President

Brian K. Lipson
Executive Vice President

North American Development
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Lee H. Wagman
President

Andrew A.L. Blair
Executive Vice President and Chief Operating Officer

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Forward-Looking Statements

This Annual Report to Shareholders of the Corporation, including the Management's Discussion and Analysis set forth herein, contains forward-looking statements relating to the Corporation's operations which are based on the Corporation's current expectations, estimates, forecasts and projections. Words and phrases such as "expects", "should", "anticipates", "estimates", "believes", "intends", "plans" and "will benefit", variations of such words and similar expressions are used to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties, estimates and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Corporation undertakes no obligation to publicly update any such statement to reflect new information, the occurrence of future events or circumstances or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. Such factors include those set forth in the Risk Factors section in the Corporation's Annual Report on Form 40-F to be filed with the U.S. Securities and Exchange Commission.

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